





Bush Is Said to Seek A New CIA Director To Replace Webster

WASHINGTON — President-elect George Bush, determined to "put his own stamp on things," is looking for a new face to replace William F. Webster as the director of central intelligence...



President-elect Bush, flanked by security men, taking a picture Friday in Gulf Stream, Florida.

Thousands of Workers Strike At Brazilian Oil Refineries

SAO PAULO — Tens of thousands of oil refinery workers went on strike Friday and threatened to bring Brazil's 10 refineries to a standstill...

AMERICAN TOPICS

Filing for Chapter 11: 'Stepping off a Cliff'

Getting protection from creditors under Chapter 11 of the Federal Bankruptcy Code is "akin to stepping off a cliff," says W. Thomas Stephens...

Short Takes

A proposal to build a sculpture of a molar 18 feet (5.5 meters) high in Grand Rapids, Michigan, to honor the city that in 1945 became the first in the United States to fluoridate its drinking water...

JAPAN: U.S. Navy Fires Near Ship

According to the Japanese Maritime Safety Agency, the Towers opened fire about nine miles (15 kilometers) off the Boso Peninsula in Chiba Prefecture, southeast of Tokyo and Yokohama...

The Loyal Bush Troops Line Up for Plum Jobs

WASHINGTON — President-elect George Bush and his transition team have begun to focus on the selection of 4,000 to 5,000 full-time political appointees who will shape the policies of his administration...

Animal Advocate Held in Bomb Case

NORWALK, Connecticut — An animal rights advocate was arrested Friday and charged with trying to use a radio-controlled pipe bomb to kill the head of a surgical equipment company that experiments on dogs...

Iran-Iraq Talks

Iran and Iraq resumed peace talks Friday in Geneva, as the United States and other nations pressed for a ceasefire...

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PD DATE

Airport delayed flights for the PD date. Delays also were reported at other airports...

Advertisement for Omega watches featuring a woman looking at a watch. Text includes 'FOR A MOMENT, THERE WAS JUST THE TWO OF YOU AND THE WHOLE WORLD TO DISCOVER. OMEGA. FOR ALL YOUR SIGNIFICANT MOMENTS.' and 'OMEGA ALWAYS MARKS SIGNIFICANT MOMENTS. IN THE OLYMPICS. IN THE SPACE PROGRAM. IN SIGNIFICANT LIVES LIKE YOURS THE OMEGA CONSTELLATION. FOR YOU BOTH.' Logo 'OMEGA' is prominent.

Large advertisement for The Florida Lottery. Headline: 'WIN \$55,000,000 That's Fifty-Five Million U.S. Dollars! THE FLORIDA LOTTERY U.S.A.'s BIGGEST Pick Your Own Numbers Play Lotto 6/49 Get Rich in America's Biggest Lottery'.

Advertisement for diamonds. Text: 'DIAMONDS YOUR BEST BUY Single diamonds at wholesale prices by ordering direct from Antwerp, the world's most important cut-diamond market. Give diamonds to the ones you love, buy for investment, for your enjoyment...' Includes contact info for Joachim Goldenstein.

MEMORIAL NOTICE

In memory of their dear departed HUB DORSEY, aka HALPUN, the Doocy, Halfon, Cohen, Beani and Stiz families announce that a religious service will be held and traditional prayers said at the Synagogue, 28, rue Beaubien, Paris 9, Saturday, November 12 at 10h30.

Florida Lottery subscription form. Includes fields for name, address, city, country, and checkboxes for 'FREE BONUS' and 'PICK YOUR PLAN'. Also contains a table for 'TO PLAY FLORIDA LOTTO 6/49 CIRCLE YOUR NUMBERS' with grids for Game 1, 2, 3, 4, and 5.

Herald Tribune

Published with The New York Times and The Washington Post

A Mandate to Make Sense

Now that George Bush has won the presidency, the battle turns to the election's message. The stakes transcend words, for whoever defines the voters' mandate will shape the political terrain and gain power.

That way of describing the mandate makes sense. The same good sense shines through in the choice of James Baker to be secretary of state.

Progress on the Prisoners

It takes some stretching to imagine that Iran and Iraq, whose leaders dispatched a million or more soldiers to death in an eight-year conflict, will pay heavily now to get back the tens of thousands of prisoners of war they apparently held between them.

sizing on Iranian territory. The propaganda advantage goes, in this round, to Iraq. Iraq, however, is straining in the peace talks overall.

On Scientific Citizenship

When the KGB spread the story that the AIDS virus had been created in American biological warfare laboratories, the Soviet scientific establishment knew it was a lie but did not protest.

had conclusively demonstrated that the department's samples of yellow rain were in fact the dried dung of jungle bees.

Other Comment

Much the Same Old House The feminist Eleanor Smeal has said that the House and Senate have been turned into "incubators of protection clubs."

The Senate must replace Robert Byrd of West Virginia as the majority leader. The Democrats held 257 of the House's 435 seats in the previous Congress.

Don't Deny Bush His Legitimacy

WASHINGTON — The "mandate" nonsense has been going on nonstop since election night. Every half-hour, one maven or another declares that George Bush won the election, but no mandate.



A virus just ate the entire vote count — we'll have to hold the election over again.

The point is that for a mandate to govern — all that most presidents have asked for — you need only a one-vote majority.

There are three kinds of president. There are those, like Mr. Reagan, for whom the presidency is a means, a way to do things to the country — an ideological cause.

There are those, like Mr. Reagan, for whom the presidency is a means, a way to do things to the country — an ideological cause.

A Manipulated Public Can Offer No Mandate

FROM the beginning, American political theory has rested on the idea of popular sovereignty. In the United States, James Madison wrote in 1788, "The people, not the government, possess the absolute sovereignty."

The hard problems facing America were scarcely addressed in the U.S. election. Neither candidate gave a clue as to how he would handle the most menacing problem of all: the gathering economic storm.

The hard problems facing America were scarcely addressed in the U.S. election. Neither candidate gave a clue as to how he would handle the most menacing problem of all: the gathering economic storm.

Israeli Parties Aren't the Sole Determiners of Peace

NEW YORK — People, even very intelligent people, have some far-fetched ideas about what presidents and prime ministers can do.

unwilling, for the 40 years of Israel's existence, even to discuss peace. When one Arab leader changed his mind and decided to negotiate, he found a ready interlocutor in a Likud prime minister, Menachem Begin.

was ready to coexist peacefully with Israel. Mr. Mubarak offered such assurances after the recent meeting with King Hussein and Mr. Arafat.

people." Yes, he accepts Resolutions 242 and 338 "along with all other United Nations resolutions."

Cyprus: Fighting the Ahab Syndrome

NICOSIA — Cypriot hospitality, as warm as the Mediterranean in June, is legendary. Except when the island is in a war.

By Colman McCarthy

evils to crazy Ahab were visibly personified and made practically assailable in Moby Dick. He piled upon the whale's white hump the sum of all the general rage and hate felt by his whole race from Adam down; and then, as if his chest had been a mortar, he burst his hot heart's shell upon it.

He understands that, until the PLO accepts the right of Israel to exist, there is nothing for any Israeli prime minister to negotiate.

The Risky Education Of a Leader

By William Pfaff

PARIS — It has made a crucial change in East-West relations to have men come to power in the Soviet Union with serious knowledge of what goes on in the West.

The Kremlin's lesson came almost too late.

Only after they were educated was it possible to argue with them about ideology, and for that matter, about ideology.

1888: Police Chief Quits

LONDON — The resignation of Sir Charles Warren, the Chief Commissioner of Police, was announced today (Nov. 12).

1938: Jews Are Fined

BERLIN — The Reich today (Nov. 12) decreed measures to ostracize the 600,000 Jews left in Germany from the economic and cultural life of the nation.

1913: 150 Die in Storms

NEW YORK — The storms on the Great Lakes have cost at least 150 lives. Cleveland is under two to six feet of snow, but the downfall ceased early this morning (Nov. 12).

سكرا من الله اصل

OPINION

A 'Kinder, Gentler Nation'? Here's What Bush Can Do

By A. M. Rosenthal

NEW YORK — George Bush says it so often and so deliberately that the assumption has to be that he means it. He wants to use the presidency to help make the United States a kinder, gentler nation.

ON MY MIND

They are the emotional equivalent of illiteracy. Both are intellectually blinding. It is much more interesting to assume that Mr. Bush means it, even if he has not yet figured it through.

It is an intriguing choice of words. In a speech he made in a speechwriter's office, he said that he was going to do something about the president-elect's sense of himself and would like to be seen.

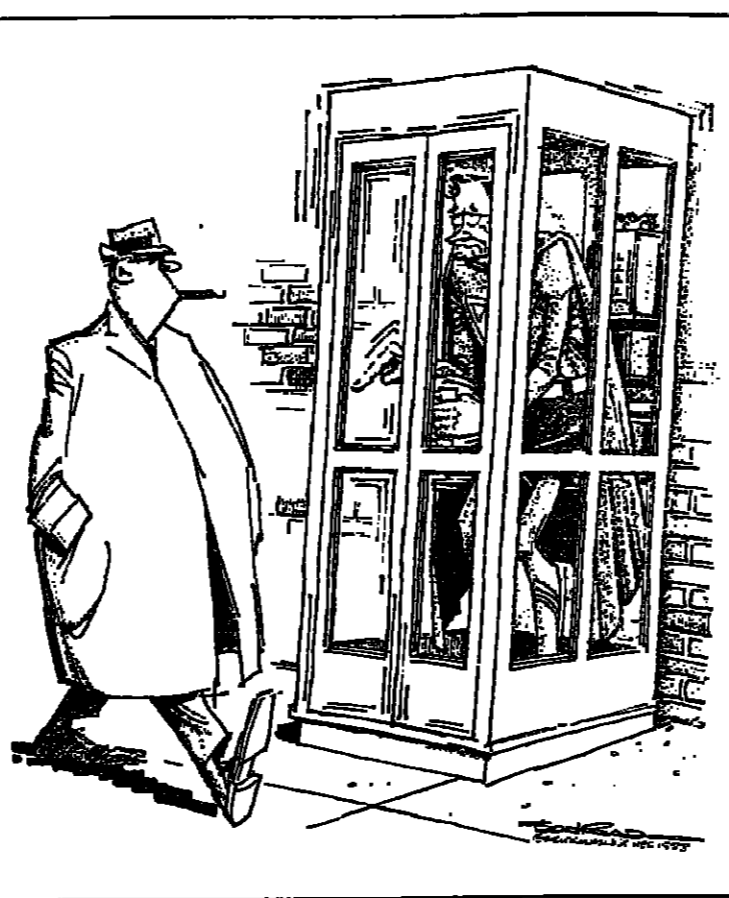
What other president would use them? Probably not Ronald Reagan, because he does not have the sense of self-inquiry that those two words, so unusual for a politician, imply.

Jimmy Carter might use those words. In at least one way he made them a reality — his emphasis on human rights, heard in the cells of political prisoners around the world.

Neither Franklin Roosevelt nor Lyndon Johnson used the words, and in both men's careers there were signs of cruelty. FDR did little to help Jewish refugees from Germany.

Mr. Bush can start showing that his heart understands what his mouth says by cutting out the nasty, hard-guy, enforcer talk: Read my lips. One false move, you are history.

Mr. Bush can speak of the need to respect the beliefs of others — redemption for his flag-waving insults to Governor Michael Dukakis.



It's Not Too Late to Defeat Dan Quayle

By David A. Kaplan and Gary S. Simon

NEW YORK — Dan Quayle does not have to be the next vice president of the United States. Just ask the framers of the constitution, who devised the Electoral College precisely to deal with such a predicament.

Under the electoral system, voters on Election Day select 538 delegates — "electors" — who meet Dec. 16 to vote for the president and vice president.

Of course, members of the Electoral College cannot pick just anybody. The constitution restricts their choice to those individuals who are at least 35 years old, U.S. citizens by birth and not yet dead.

Those who revere the doctrine of original intent know that the electors were never supposed to be a rubber stamp. In Federalist Paper No. 68, Alexander Hamilton wrote that the president and vice president should be chosen by persons "most capable of analyzing the qualities adapted to that station, and acting under circumstances most

Keep an Eye on the Ones That Eat Metal

By Dave Barry

MIAMI — Well, in case anybody is interested, it looks like we're about to be eaten by insects.

Anyway, there was a story stating that several million locusts have flown over to the Caribbean from Africa. Did you hear me? I said SEVERAL MILLION LOCUSTS HAVE FLOWN OVER TO THE CARIBBEAN FROM AFRICA.

So right now we have giant pink grasshoppers down there munching away on, for example, Barbados. And as if that is not alarming enough, we also have to consider the question of the Formosan termites.

body seems to be able to stop it. And let us not forget the killer bees! No sir! These are of course the vastly improved bees that are slowly but surely stinging their way northward from Mexico, cow by cow.

MEANWHILE

through METAL. Needless to say they are spreading like crazy, and nobody seems to be able to stop them. Which immediately brings to mind the Asian cockroach, an improved breed of roach that has been documented extensively in scientific papers such as the Dave Barry column.

LETTERS TO THE EDITOR

Behind Jordan's Changes

Regarding "Jordan Puts the Brakes on the High Roll" (Nov. 7):

While there are elements of truth in Alan Cowell's article on Jordan's economic situation, he is mistaken to suggest that Jordan's recent economic austerity measures will "further diminish the role Jordan once played as a principal focus of U.S. attention in the stalled drive for peace in the region."

The article also implies that Jordanians of Palestinian origin are in danger of "being relegated to second-class status." This is absolutely not true.

In five weeks, the Electoral College will face the question: Should Dan Quayle be a heartbeat away from the presidency? The answer must be no.

Mr. Kaplan is senior writer for The National Law Journal and Mr. Simon is a New York lawyer. They contributed this comment to The New York Times.

and for no other reason. The new editors are leading journalists, holding long-established credentials and widely respected for their independent thought.

HUSSEIN A. HAMMAMI, Ambassador of Jordan, Washington.

Differences of Degree

Regarding the report "Astronauts Aboard Discovery" (Sept. 30):

Lieutenant Colonel David C. Hillmers, who was on the crew of the U.S. space shuttle Discovery, is a graduate of Cornell College in Mount Vernon, Iowa.

The July 14 obituary of Joshua Logan states that "he was never graduated from Princeton." He did, in fact, leave Princeton before writing the required senior thesis, and he long regretted not having a degree.

Regarding the recent change in editorial management of the press, it was prompted by the need to separate newspaper ownership from editorial policy.

CRAIG KUEHL, Geneva.

S. F. GREGORY, New Delhi.

FLYING TO THE USA NEEDN'T MEAN 'BUSINESS' AS USUAL.



Do you prefer a window seat or one on the aisle? Happily, on American Airlines our Business Class offers you nothing in-between. Instead, we restrict ourselves to just six seats across, thoughtfully divided into three pairs of two.

In addition to their plush, supple leather, we've covered them in soft-sheared lambswool. Seats, in other words, built for lounging. With all that implies about leg and elbow room. As for our cabin service, you'll find it attentive but unobtrusive. Whether you're being served the champagne we welcome you aboard with. Or the vintage wines we insist on pouring in a civilized fashion.



American Airlines Something special in the air.

The Risky Education Of a Leader

By William Phil... PARIS — It has made a... change in East-West... union with serious... what goes on in the West... leadership has worked... ties in the West and... acquaintances with... and goals. This was... the past, nor is it... No major Western leader... direct personal acquaintances... None has lived there... there; their experience is... visits and little more.

The Kremlin's lesson came almost too late

... fact that they had to be... Only after they were... possible to argue with them... and for that matter,... I attended a meeting... Berlin where Mr. Reagan's... confronted a number of... as policy makers. The... made it plain that they were... that Western Europe was... but "neutralized" — "F... was the phrase then used... aggressive Soviet Union, and... scope was in irreversible... Now many of these... defend arms control deals... Soviet Union that the West... sins consider risky, and... about how the U.S. economy... be protected against Europe's... trade competition.

... Another lesson in the... range of leaders is provided... account, just published in... how the Kremlin interpreted... Atlantic Treaty Organization... in the fall of 1985 as a possible... strike against the Soviet Union... The source of this story is... Gordievski, the KGB officer... a decade worked for British... as a double agent, was... becoming KGB station chief... (The British rescued him... Moscow in summer 1985, he... had fallen under suspicion.)

... Mr. Gordievski, as quoted... British journalist Gordon... Shepherd, said that the... Union's aging leaders were... increasingly worried about the... of an American attack... with the Iran crisis and... Jimmy Carter's creation of... Deployment Force. When... Reagan came to office, it... rhetoric of the new admin... seemed to justify their fears.

... An emergency intelligence... was established by the KGB... to monitor political evidence... West might have decided to... and in periods of tension... of the movements of Western... signs of changed working... Western government offices... denance of the stockpiling... blood and medical supplies... defense preparations and so... According to Mr. Gordievski... system was activated in Nov... 1983, when the interim Soviet... Knaustantin Chernenko, was... NATO launched an arms... allied nuclear-release... during the event of war. As... to Mr. Gordievski, Moscow... that the NATO exercise was... guised build-up to an actual... NATO procedures... were changed, according to... count. What is disturbing... that during this period... and its allies took for granted... Anatoli Dobrynin, then the... ambassador in Washington... as other Soviet observers in... had reassured Moscow that... "empire" rhetoric had nothing... with the West's real intentions... the unthinkable was being... Moscow — and in the West... Today the technical... resources for understanding... side are larger than ever. Yet... to ask if leaders make... those resources. The... of nation, policy and... that marked the U.S. ... tial campaigns are not... in this respect. The risk... comment in one's national... and it is not a trivial... International Herald Tribune... Los Angeles Times

1938: Jews Are Fleeing

... lives. Cleveland is under... feet of snow, but the... early this morning (Nov... food supply is very short... we shutting down because... soul. It is impossible to... swing to the depth of the...

1938: Jews Are Fleeing

... BERLIN — The Reich... 127 decreed measures to... 500,000 Jews left in Germany... the economic and cultural... nation and to reduce... institution or to dep... so-religionists for their... assistance. These measures... collective fine of 1,000,000... as a racial reparation... if the German diplomat... be Polish Jew Grynszpan... ng effect on Jan. 1, ... swain business of any... ying managerial positions... order to owners of... wells and cinemas to... ance to Jews on pain of...

# Hopes for a Summit Are Blooming With China-Soviet Thaw

By Nicholas D. Kristof  
New York Times Service

BEIJING — It has been a busy week for two countries that have supposedly still not normalized relations.

Three Soviet citizens were attending a conference in Guangdong Province on China's economic changes.

The Soviet Union was showing off its technology — computers, tractors, and video players — at an enormous exhibition in Beijing.

A Soviet song and dance troupe was performing in the central Chinese city of Chengde, and a Chinese publisher in Beijing was planning a new Russian-language edition of a magazine about China.

Almost three decades after the Chinese-Soviet split, the world's two largest Communist countries are moving together again.

Prime Minister Li Peng said at a news conference Thursday that, if everything goes smoothly, a Chinese-Soviet summit meeting will take place in the first half of next year.

Such a meeting has seemed likely since the announcement in September that the Chinese foreign minister will visit Moscow later this year, and these days a meeting between President Mikhail S. Gorbachev and Deng Xiaoping, China's senior leader, seems almost taken for granted.

The thaw is already apparent, for trade is blossoming and middle-aged Chinese are finding new opportunities to practice their rusty Russian with a growing flow of visitors from the north.

Cross-border trade, though still small, is running four times ahead of its level last year.

A bridge was completed last month spanning the eastern border, while China is working on a rail link to unite the countries on their western border.

More than 750 Chinese laborers have been sent to the Soviet Union on construction contracts. And a Chinese-Soviet joint venture — a photography laboratory — has opened near the eastern end of their border.

"China and the Soviet Union have entered into an important new phase of their relationship," the Soviet ambassador to China, Oleg A. Troyanovsky, said Thursday.

Mr. Troyanovsky, a former ambassador to the United Nations, is one of the most experienced Soviet diplomats, a sign of the importance Moscow places on relations with Beijing.

Even so, no one seems to expect

an alliance that would upset international politics.

"We don't believe that the improvement in Sino-Soviet relations will be a threat to the development of Sino-American relations," said Peter Tomson, the United States chargé d'affaires in Beijing.

"In fact, there are benefits for the stability of Asia and globally if we can see advances in Sino-Soviet relations."

The Soviet ambassador, in his remarks Thursday, also acknowledged that the reconciliation would be limited. "We see no prospect for reversion to the situation that existed between the two countries in the 1950s," he said.

Mr. Troyanovsky said the Chinese foreign minister, Qian Qichen, would leave Dec. 1 for Moscow in the first working visit by a Chinese foreign minister since 1956.

Another Soviet diplomat said a return visit by the Soviet foreign minister, Eduard A. Shevardnadze, was likely in January or February.

Most diplomats guess that the summit meeting itself will take place in April or May, probably in Beijing, because Mr. Deng, at 84, rarely travels these days.

Disagreements remain, principally about Vietnam and Cambodia, but neither country seems eager to belabor them.

When China and Vietnam fought briefly this year about some contested islands in the South China Sea, the Soviet Union was careful not to take sides.

And when the Soviet Union suspended its troop withdrawal from Afghanistan earlier this month, the Chinese grumbled but did not formally protest to the Soviet Embassy.

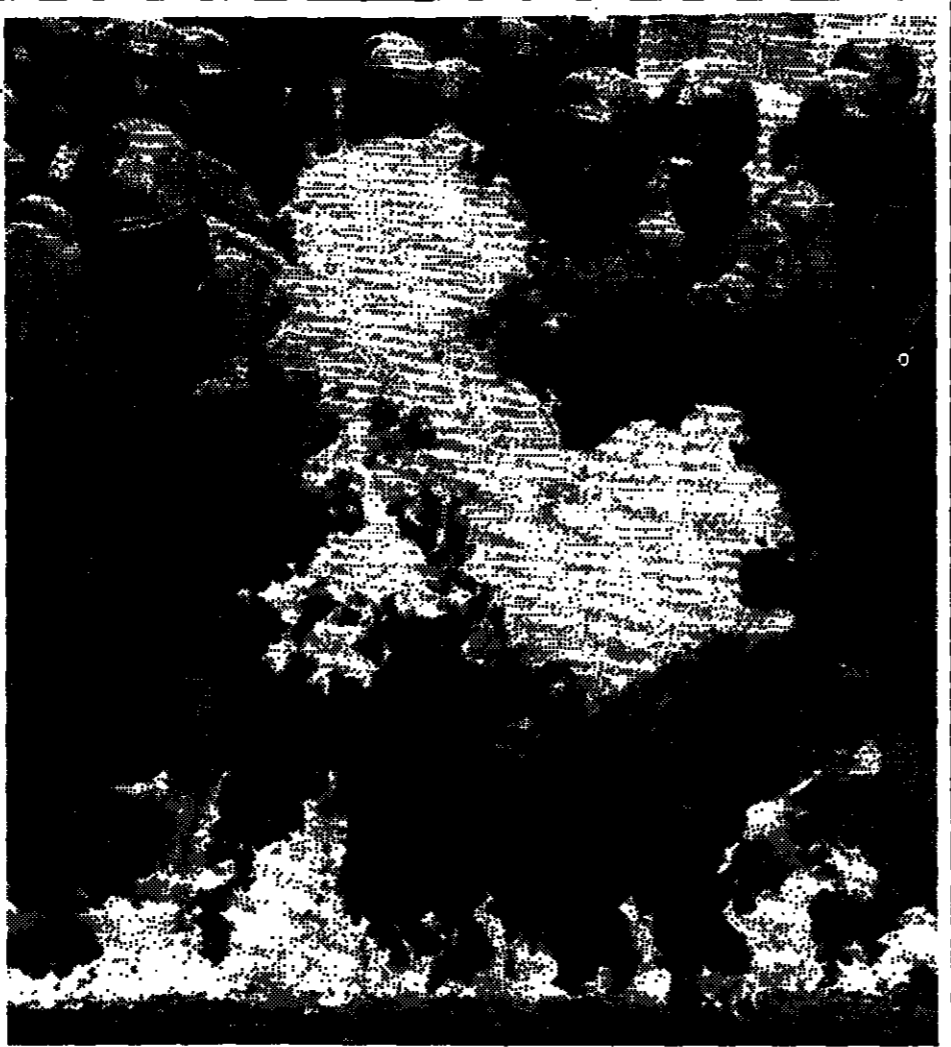
Both sides also reported considerable progress last month in talks to resolve disputes over their eastern boundary.

While the impetus for a summit meeting seems to be largely political, the growth in ties over the last year has often been based on economics.

In Siberia, for example, it makes sense to trade with Chinese cities a few hundred miles away instead of transporting goods to Russian cities thousands of miles away.

And northern Chinese communities, which have been largely excluded from the economic development of coastal areas, have been interested in finding a foreign market that suits them.

Most of the trade is barter, and economists say it is unlikely that it will ever be important for the two countries' overall economies.



**Protests Against Chum Flare in South Korea**  
Riot policemen in Seoul battled a blaze Friday after students hurled firebombs during a protest against former President Chun Doo Hwan. In Hyopchoon to the south, radical students demanding Mr. Chun's arrest for alleged corruption set fire to his provincial home. Five policemen were injured and six students arrested. Mr. Chun, who left office in February, has denied any wrongdoings.

# MILAN: Italy's Economic Point Man Tries to Shake Off Shadow of Rome

(Continued from Page 1)

where the government is. But it will be different when the center of government moves to Brussels.

"Rome," Mr. Falck said, "is not loved by Milanese."

Unquestionably, the feel of Milan is non-nonsense central European, with daily life led indoors and not sprawled across piazzas. Rome heaps its cultural splendors upon a platter, and invites visitors to dig in.

By comparison, Milan's pleasures are morsel-sized — sleek boutiques and discreet courtyards that lurk in and around stolid buildings.

An old saying here holds that "Milan works, Rome eats." Depending on their geographical point of reference, Milanese insist that Italy ends south of the Po River, or south of Tuscany, certainly south of Rome. From there on down, it is the Middle East.

"This city is European; it is not Italian," said Indro Montanelli, the acid-tongued (and Florence-born) editor of the conservative Milan daily *Il Giornale*.

Romans respond that Milan is gray, grim and gruff, not a place where one can live or have fun. Milanese are sensitive to the charge.

A poster campaign under way to promote Milan as a "city of art" demonstrates a certain self-consciousness about the dearth of world-famous attractions on a par with those of Rome, Florence or Venice.

"Visitors come and look at 'The Last Supper,' and then say that they've done Milan," said Paolo Viti, director of cultural relations for Olivetti, the computer giant.

It remains a place to make money. Until the flow stopped a few years ago, southern Italians had flocked to Milan in search of jobs and a better life.

With only 2.5 percent of Italy's population, the city of 1.5 million people accounts for nearly 10 percent of the gross national product. The per-capita GNP of \$15,500 is 38 percent higher than the national average.

Milan is where one finds Italy's stock exchange, most of its investment banks, nearly all Italy-based foreign banks and the major fashion houses, advertising agencies and broadcasting companies. "It's already 1992 in Milan," Mr. Viti said. "The city is already integrated with the European economy."

All this, Milanese say, has been accomplished in spite of — not because of — the capital in Rome, which they feel inhibits growth with enormous budget deficits, a glacial bureaucracy and a bottomless capacity for political intrigue.

Still, few expect Rome to be rebuilt in a day, or to yield significant political power after 1992.

"The Milanese acknowledge that they themselves are hardly problem-free."

About 20,000 addicts make Milan the heroin capital of Italy. AIDS is rapidly spreading. Suicide rates are higher than elsewhere.

No sooner had the air-pollution tempest subsided than new worries arose about noise levels. And as in many other cities, central Milan is increasingly becoming a preserve of the rich and the single, as middle-class families flee prices that run at least 20 percent higher than the national average.

City officials talk expansively about luring people back with new housing and parks that would be built on nearly 2,500 acres of abandoned industrial space. But this has not gone beyond the mulling stage.

His parents say he was depicted, but not identified, in a 1982 magazine article as "a quiet, polite young man with soft brown hair and rosy cheeks" who "has broken into password files, read supposedly private computer mail, and has broken into computers that are linked together in networks."

"I never told myself that there was nothing wrong with what I was doing," he was quoted as saying at the time, adding he had continued with it because he enjoyed the challenge of testing computer security.

So did his father. After 15 years of computer programming research, the elder Mr. Morris became increasingly expert with code breaking and electronic security. So talented did he become that Bell Labs' parent, the American Telephone & Telegraph Co., gave him special authority to attempt break-ins into Bell computers, on the promise that he inform his super-

# HACKER: Code-Breaking Became a Family Affair

(Continued from Page 1)

lasting damage, that it pointed up far more serious security threats.

And, in an interview, Mr. Morris appeared to find it difficult to suppress some pride in the technical wizardry of its creator.

"I know a few dozen people in the country who could have done it," he said. "I could have done it, and I'm a damned good programmer."

He is better than good, say his associates. In 26 years at Bell Laboratories in New Jersey, Mr. Morris, a mathematician by training, helped create the Unix program that is the foundation of modern computer operations.

Such programs are the rule books by which computers process the numbers, words, sounds and images fed into them.

"He's one of the best," said his onetime supervisor at Bell Labs, M. Douglas McIlroy.

Both Mr. Morris and his son are regarded by their peers as brilliant computer analysts, blessed with insights into mathematical and logical problems whose complexity might confound lesser experts.

Yet that is but one of many common traits that have so bound father and son together that they appear, at times, to lead parallel lives.

Both fell into computer programming more or less by accident. Both cut their teeth in the profession in summer jobs at Bell Labs, and both maintained computer systems while studying at Harvard University.

Anne Morris, the elder Mr. Morris' wife, said the two men were acutely aware of the similarities.

"Of course, they are aware of it. How could they not be?" she said in the interview. "Their interests and careers will dovetail so that there will be a continuum of Robert Morris over the course of computer science."

Robert Morris Jr. is the product of a family of bright and feavely independent parents and children.

Anne and Robert Morris met in 1959 while she was working at the Massachusetts Institute of Technology and he was pursuing a doctoral degree in mathematics at Harvard. Mr. Morris abandoned his pursuit of the degree shortly after joining Bell Labs for a summer job, remaining there through a range of research projects.

Computing proved his real love, and in the 1960s a Bell Labs computer terminal was installed in the 200-year-old farmhouse that the family occupied.

The oldest of their three children, Meredith, now 25, had little interest in computing and now works at the Library of Congress in Washington. The youngest, Ben, 21, proved an avid outdoorsman and works for a New Jersey tree service company.

The middle child, Robert, was different. At 4, Mrs. Morris said, he was constructing intricate models from cardboard and Scotch tape, including a handgun with working parts and an automobile that could be steered.

And with the children of other Bell employees, he began to play computer games. By age 14 or so, his mother said, his "secret" from the "outside" on the family computer terminal attracted the attention of Bell Lab officials, who began allowing him to visit his father's office and play with computer projects.

He wrote technical analyses of computer programs just for fun and, as his parents acknowledge, also became an adept electronic cat burglar, using his superior programming knowledge to sneak in and out of other computer files undetected.

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# UN Assembly Begins Debate On Child Abuse

New York Times Service

UNITED NATIONS, New York — The General Assembly has opened a debate on child abuse that is expected to result in the adoption next year of an international convention protecting the human rights of children.

The draft convention, which is almost complete, pulls together all the obligations adults already have toward their children under the UN Universal Declaration on Human Rights and two more-detailed human rights covenants.

For the first time, the convention redefines the obligations as children's rights. The draft convention also breaks new ground, UN officials said Thursday, by establishing for the first time the right of children to enjoy a family life and extending international legal protection to the process of adoption.

The convention binds governments accepting it to provide a properly regulated adoption service to insure that orphans and other deprived children have access to family life. It also requires them to prevent abuses like the sale of children into forms of slavery and bondage.

The draft convention also expressly gives children the right of free association for the first time.



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For 25 years, operators have put their trust in trucks from Würth.

The Daimler-Benz truck production factory at Würth is celebrating its 25th birthday so this is an occasion on which we should like to thank all our customers for their support. Twenty-five years of successful partnership, from the first LP 608 to the new Powerliner 2. A quarter of a century's commitment to your success.

Today, trucks built at Würth are the biggest sellers in the world — over 1.7 million of them so far. And each one backed by the impressive expertise of the world's largest producer of trucks over six tonnes. We should like to thank you for the trust you have placed in us. Committed to your success!



سكيا من الاصل







# Mergers and Acquisitions

## Japanese Look To U.S. to Gain New Technology

By Paul Maidment

**TOKYO**—It is yet another of the myths of modern Japan—that Japanese companies have no taste for mergers and acquisitions. Takeovers, including hostile ones, have a long and bloody history in Japan, especially in the turbulent years of economic reconstruction after World War II.

True, it has been 15 years since the previous M&A boom in Japan, and in recent years, Japan has not seen the megabuck deals that are making and breaking fame and fortunes on Wall Street. True, too, that, when possible, Japanese companies prefer consensus to conflict. But in the current restructuring of the Japanese economy, which is as momentous as the postwar changes, Japanese firms are again turning to mergers and acquisitions.

They are doing so to acquire experience in the new businesses into which they want to diversify. They are having to buy these skills rather than grow them because of the speed at which the economy is transforming itself from a heavy industry exporting base to the newer domestic-demand-oriented, high-value-added manufacturing and service industries.

By American standards, the number of Japanese mergers and acquisitions is small. Last year, there were 447 mergers and acquisitions involving Japanese companies, according to Yamaichi Securities, the leading Japanese mergers and acquisitions specialist. The figure excludes several thousand intra-group mergers of companies as part of corporate restructurings.

The size of most Japanese mergers and acquisitions is matchingly modest. Despite Bridgestone's \$2.6 billion acquisition of Firestone Tire & Rubber, most Japanese mergers and acquisitions fall in the \$10 million to \$30 million range.

**THE NEW TWIST** to last year's figures is that for the first time the number of outward mergers and acquisitions exceeded domestic ones, by 228 to 219. Japanese firms had been involved in more than 50 cross-border mergers and acquisitions for the first time in 1985, according to Yamaichi.

The main target has been the United States. One reason is because the yen's appreciation since 1985 has been sharpest against the dollar, making dollar-denominated assets relatively cheaper for yen-based buyers.

Another is because the United States is where the Japanese can find the skills, technology, products, distribution networks and markets that they want. Also, the United States has few restrictions on foreign investors buying U.S. companies through the stock market.

Next, as a target region, comes Europe. The Japanese are positioning themselves for what they expect to be a wave of

Continued on page V

## Leveraged Buyouts Dominate Takeovers

By Linda Keslar

**NEW YORK**—In its most robust year to date, the merger business in the United States is fielding bids that are bigger than ever, culminating so far with a record \$20.3 billion leveraged buyout offer for RJR Nabisco, the nation's 19th largest industrial company.

"Nothing is too big to be LBOed these days," said an M&A specialist at a leading firm, alluding to the current popularity of leveraged buyouts.

Once limited to small companies with lean product lines, this financing technique now dominates the mergers and acquisitions scene, as specialist firms such as Kohlberg, Kravis, Roberts & Co. rely on heavy borrowings to purchase ownership of companies from public shareholders, usually in a joint venture with a company's management.

By pruning a company's assets through sell-offs, the new owners have generally reaped higher rates of return through leveraged buyouts—some as much as 40 percent—than through more conservative financing methods.

"Everyone heard about the success of KKR and other LBO firms and wants a chance to earn abnormally high returns," said Langhorne Reid, co-director of mergers at Paine-Webber Inc.

Specialist buyout firms, which, some speculate, have access to funds that could help finance upward of \$250 billion in new acquisitions through commitments from institutional investors, are edging out traditional corporate bidders, both domestic and foreign, looking to form new combinations.

"Everyone was first worried about foreign investment activity, and instead they are more concerned about whether or not to go private through an LBO," noted a merger specialist who expects bond investors, as a result, to demand stricter covenants to protect their investments against such takeovers.

Overall, the merger business ballooned to a record \$129.4 billion for the first half of the year, 42 percent over the first six months of last year.

The pace is expected to continue, with the buyout phenomenon spreading to larger industrial and cyclical companies. Much of the takeover activity has been concentrated in the food, retailing and publishing industries, with high premiums, and with a record number of more than \$1 billion transactions on the table.

While the RJR Nabisco offer overshadows all in its immensity, other recent takeover bids include Philip Morris Co.'s offer of \$13.5 billion for Kraft Inc. and Britain's Grand Metropolitan PLC's \$5.2 billion hostile bid for Pillsbury Co.

"There's just a huge amount of capital chasing

deals around," said Robert Carter, a managing director at First Boston, which recently merged with its sister company, Credit Suisse. "Corporations are typically strategic buyers and are fairly disciplined in their valuation of a company. LBO firms have pressure to make investments at this point."

Until this fall, when the latest flurry of takeover activity began, this year's record combination was a foreign takeover—Campeau Corporation's \$6.6 billion buyout of Federated

The technique's popularity is such that 'nothing is too big to be LBOed these days.'

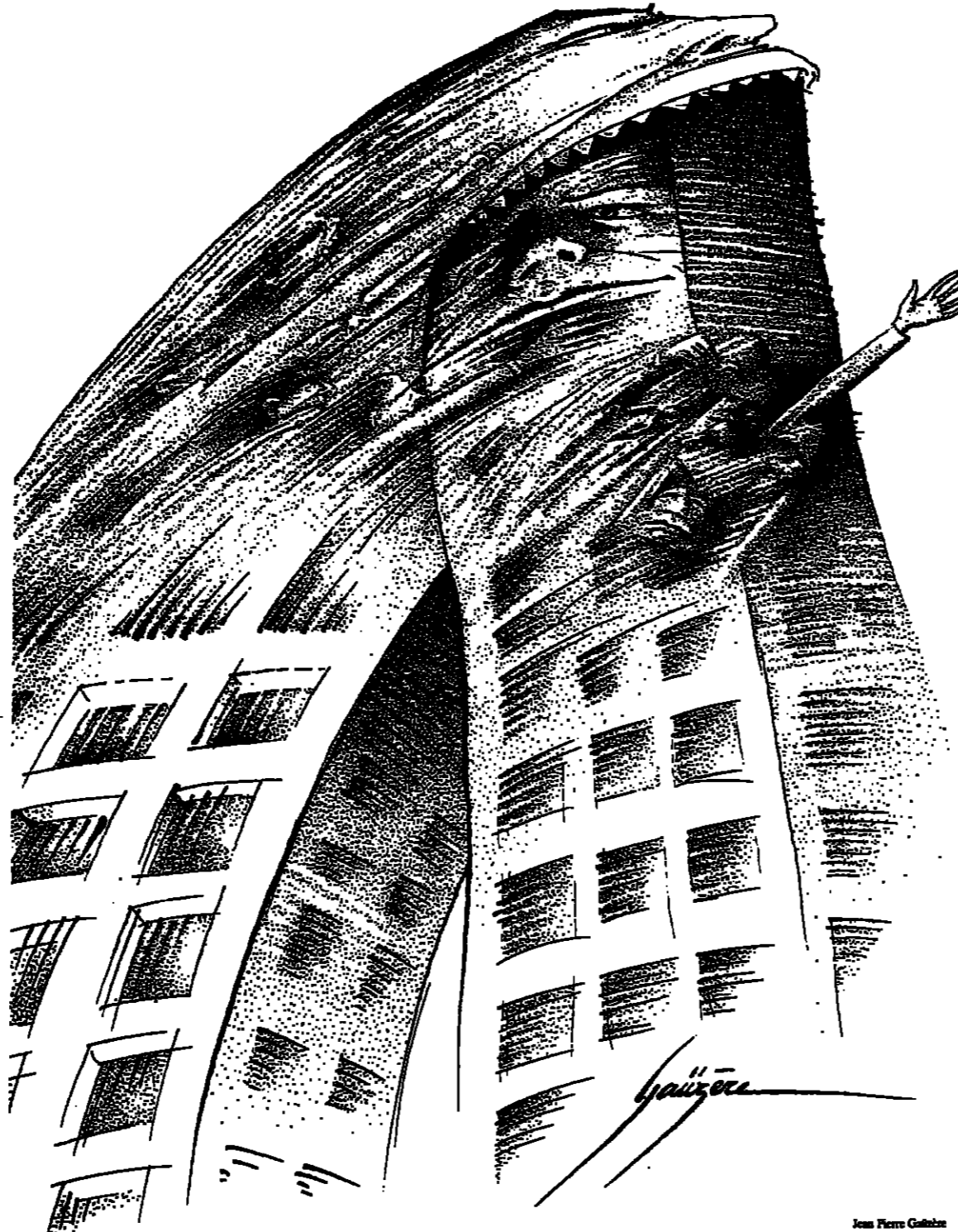
Department Stores. In a sluggish retail environment last spring, the Canadian company sold off Federated assets, including Brooks Brothers, the conservative clothing boutique, to British retailer Marks & Spencer. Campeau then sold the Bullocks and I. Magnin subsidiaries from Federated to R.H. Macy & Co. Inc. for \$1.1 billion.

Foreign companies bought \$31.3 billion in U.S. corporate assets for the first half of the year through 151 acquisitions, more than double the dollar value and number of foreign buyouts for the same 1987 period, according to W.T. Grimm & Co., a Chicago-based firm which tracks merger data.

Reorganizations include Britain's BAT Industries PLC \$5.2 billion buyout of Farmers Group, the insurance firm; Rupert Murdoch's News Corporation's purchase of Walter Annenberg's Triangle Publishing Inc., the publisher of TV Guide, for \$3 billion; Mantrust, Indonesia's largest food processor, which bought out the company that makes Chicken of the Sea, the second largest U.S. canned tuna brand, and Japan's Bridgestone Corp.'s \$2.6 billion buyout of Firestone Tire & Rubber Co.

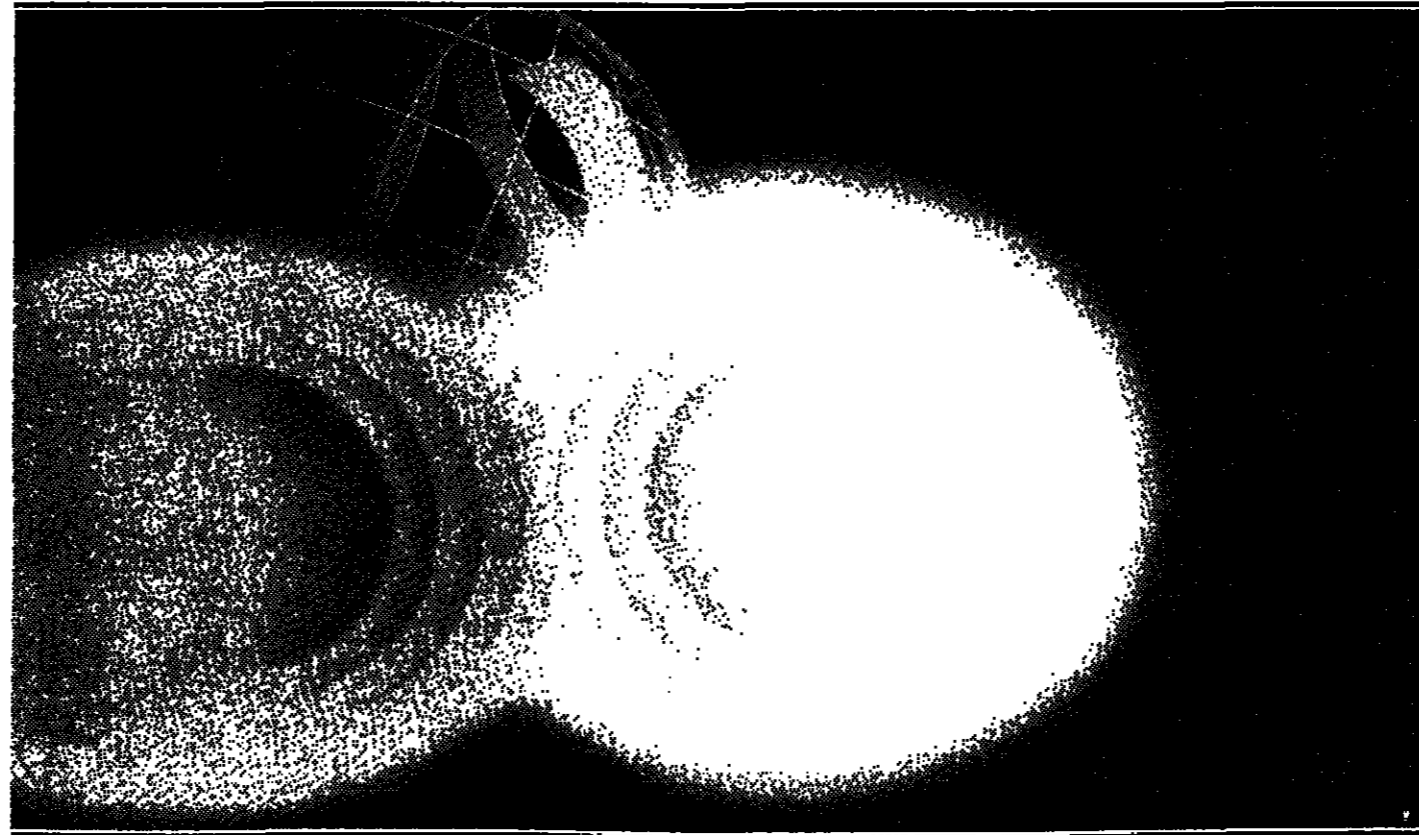
Merger specialists, however, do not expect yet

Continued on page II



The success of LBO firms attracted notice, and now others want a chance 'to earn abnormally high returns.'

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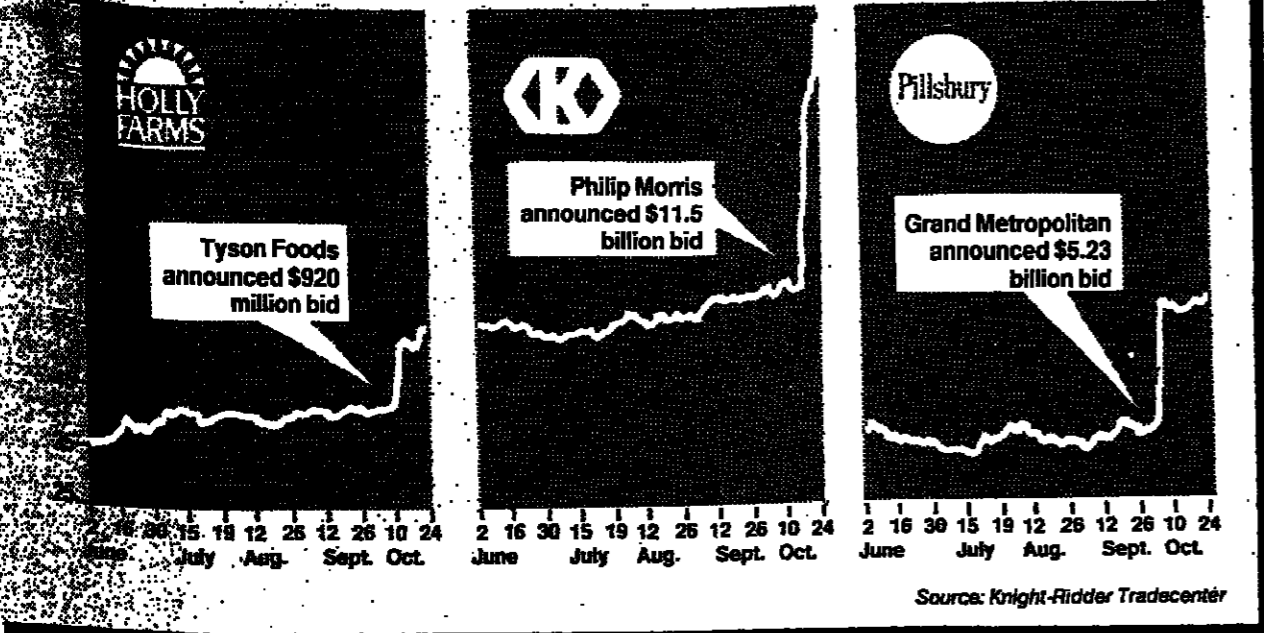
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### Tracking the Stock of Takeover Targets

In spite of relative stability, the stocks of Holly Farms, Kraft and Pillsbury climbed dramatically after takeover attempts.



## Takeover Bids Spur Speculation

By Anise C. Wallace

**N**EW YORK — The giant takeover offers this fall have touched off a burst of speculative fever on Wall Street. With many stocks already rising on merger rumors, analysts are scrutinizing hundreds more to identify tomorrow's targets. And brokers are calling clients with tips to encourage more trading.

"Brokers call and say, 'I hear this, I hear that, and you should look at this,'" said Neil J. Weisman, general partner of the Citicorp Capital Corporation, a New York money management firm that invests \$60 million for wealthy individuals. "That's all I'm hearing."

Of course, much of the chatter that passes for research proves to be mere gossip or speculation. But the huge takeover offers last month have heightened investors' awareness of the importance of corporate financial acquirers in a market that, since the crash, has lacked any clear direction.

RJR Nabisco's management announced Oct. 20 that it was considering a \$17 billion leveraged buyout. Several days later, Kohlberg, Kravis, Roberts & Company, Wall Street's leading buyout specialist, came up with a \$20.3 billion offer for the food and tobacco giant.

On Oct. 17, Philip Morris Cos. launched a \$11.5 billion cash tender offer for Kraft Inc. Meanwhile, Pillsbury rejected a \$5.23 billion bid from Grand Metropolitan.

Indeed, since Labor Day, the value of the 777 announced offers, some of which represent competing bids for the same company, has totaled \$81.9 billion, said L.D.D. Information Services in New York.

"It looks like a frenzy," said Steven A. Kroll, president of S.L.H. Asset Management, the \$30 billion investment management subsidiary of Shearson Lehman Hutton Inc.

The result is a market more and more driven by the prospect of a quick killing. Investors are less concerned with a company's long-term prospects than with the possibility of its becoming a target.

"If things were short-term oriented before, they are really short-term oriented now," said Linda S. Newman, president of Atlanta Capital, a New York firm that invests \$200 million for wealthy individuals.

Traders and market professionals say the heightened interest by experienced investors has not yet lured back many of the individuals who fled the stock market after it crashed last October.

Nonetheless, the speculative fever has become so pronounced that almost every big company in the United States is considered a possible target. Portfolio managers say that among those mentioned last month were companies as large as Ford, Chrysler, Sears, Roebuck and J.C. Penney.

The current issue of Financial World magazine even lists the potential breakup value of the 200 largest publicly traded corporations.

Recently, analysts at Bear, Stearns & Company, Merrill Lynch Capital Markets, Shearson Lehman Hutton Inc. and Dean Witter Reynolds have issued reports that provide their customers with the breakup value of companies in the food, energy and media industries. Over the past year, Dean Witter has required its securities analysts to include in all written

### Top Ten Takeovers

Largest completed/pending acquisitions as of October 31, 1988, in billions of U.S. dollars

BUYER	SELLER	Billions of U.S. dollars
1. Kohlberg Kravis Roberts & Co.	RJR Nabisco	\$20.6
2. Philip Morris Cos.	Kraft Inc.	13.5
3. Campeau Corp.	Federated Department Stores	6.6
4. Grand Metropolitan PLC	Pillsbury Co.	5.23
5. B.A.T. Industries PLC	Famous Group Inc.	5.20
6. Eastman Kodak Co.	Sterling Drug	5.1
7. Management	Wool Over	3.80
8. Management	Hospital Corp. of America	3.61
9. West Group	Fort Howard Corp.	3.55
10. American Home Products Co.	Ah Robins Co.	3.28

Andy Sebastian/DTF

## Buyout Phenomenon Spreads

Continued from page I

to see leveraged buyouts driven exclusively by foreign investors.

"Foreign buyers aren't quite comfortable with the idea yet, partially because they don't want to be so close to management," said a merger expert at Shearson Lehman Brothers. "And from the seller's standpoint, not many management want to go into a partnership with a foreign buyer. LBOs operate on a very personal level."

Aside from the RJR Nabisco offer, Kohlberg Kravis has engineered several other large takeovers this year, including the \$1.8 billion management buyout of Kraft's Duracell unit, best known for its batteries. One unsuccessful bid was the \$2.61 billion offer for Macmillan Inc., the publishing company, which was backed by Drexel Burnham Lambert and designed to head off an earlier bid by the British publisher Robert Maxwell. However, Macmillan last week threw its support behind the Maxwell offer.

In the past 10 years, the firm has built up holdings with revenues rivaling General Electric's, and it has a total purchasing power close to \$50 billion, far above any of its rivals.

While Drexel remains a player in the takeover market, despite recent charges by the Securities and Exchange Commission of having violated securities laws, other well-known investment banks are carving out a niche in LBO financings.

Morgan Stanley, for example, completed a \$3.5 billion leveraged buyout with the management of a division of Mobil Corp., while smaller Wall Street boutiques are also seeking appropriate buyout candidates.

"It's very important to us that the company be in a growing industry," said Alberto Cribiore, a partner in Clayton & Dubilier Inc., a management buyout firm in New York. His firm acquired Kendall Co., a health care busi-

ness, from Colgate-Palmolive Co. in a \$960 million leveraged buyout this year.

"What attracted us to health care is that it is recession resistant," he said.

Although Wall Street leaders say the buyout phenomenon is great for their business, it is not without risk since buyouts can saddle companies with too much debt. If a recession comes,

they say, many of the companies could collapse if interest rates rise because of the amount of floating rate debt built into LBOs.

Other critics say that the buyout phenomenon is not building companies as much as manipulating finances by breaking up companies, selling off assets and laying off many workers in the process.

However, Mr. Cribiore disagrees. "I think we can create more risk-taking in a positive

**'Foreign buyers aren't quite comfortable with the idea yet, partially because they don't want to be so close to management.'**

sense," he said of the Kendall buyout. "There's an opportunity to enhance the entrepreneurial spirit within the company since management is there in the role as an investor alongside us. We have a vision of a larger company."

LINDA KESLAR is a financial journalist based in New York.

reports on companies an estimate of the price that a leveraged buyout fund would pay for the company.

As a result of all the attention that takeovers and buyouts are creating, the talk on Wall Street lately is rarely of a company's future corporate earnings or new products. Money managers on the receiving end of Wall Street's

stock value, we're delighted," said David N. Dreman, managing director of Dreman Value Management, which invests \$3 billion for institutional clients.

"I've been in this business for 20 years and my heart still stops when I get a Kraft," Mr. Kroll said.

Many on Wall Street expect the takeover surge to continue. In fact, they think it will spread to larger industrial concerns and cyclical companies. The leveraged buyout funds have an estimated pool of \$25 billion in commitments, and that sum can finance acquisitions worth a total of \$250 billion.

And, say analysts, companies will acquire other companies for strategic reasons or even as a defense against other acquirers.

"In trying to protect themselves from hostile forces, the well-known big companies are becoming the raiders," Mr. Newman said.

That, in turn, adds up to more large acquisitions, they say.

"I think we're on the verge of seeing more and more action and bigger and bigger deals," said Robert M. Raiff, managing director of research at Cyrus J. Lawrence Inc., who has spent the past several years recommending stocks of companies that he sees as ripe for acquisition.

Nevertheless, the frenzy worries some investors. They remember that after last year's crash many deals fell apart, leaving arbitrageurs and other takeover players with huge losses.

"Last year they took away a lot of profits," Mr. Weisman said. "You know this is an area where an accident is going to happen."

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**More and more, the market is driven by the prospect of a quick killing.**

research say that analysts and investment strategists increasingly focus on what a leveraged buyout fund or other acquirer would be willing to pay. Analysts are concerned with cash flow and breakup value, not expected earnings.

"Every research analyst starts his morning call with that," Mr. Newman said. "Over the short run, the takeover binge is pleasing many professional money managers. Whenever we can get a 40 percent increase in

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Transnational Operations

# EC Commission Tries to Draw Up Clearance Rules

## British criticism has set the process back to square one.

By Jacques Neher

PARIS — With European companies increasingly trying to acquire firms in neighboring states, efforts to formulate a European Community merger-control regulation are gathering momentum in Brussels.

But while the EC is in agreement that rules are necessary to prevent cross-border mergers that would create concentrations likely to damage competition in the market, not all its members are happy with a recent proposal that seeks to accomplish that goal.

Though a draft proposal for EC merger-control rules was introduced in 1973, there was little action until last April, when the European Commission redrafted the proposal and sent it to the member states for reaction.

Of the 12 countries, only Britain reacted negatively, but the criticism was biting enough to set the process back to square one.

"The U.K. gave it a thumbs down, and everybody went away scratching their heads," said Vincent Thompson, head of European operations for Morgan Grenfell in London.

The British Treasury criticized the regulations, which would require prior approval from Brussels for most large mergers, as being out of step with the spirit of business. The British fear that the approval process, which would take at least two months, would have a chilling effect on large financial operations, particularly on the London market.

Under the amended proposal, all companies wishing to purchase another would have to apply to the EC for clearance — and wait a minimum of two months for that clearance — when the resulting entity was likely to take on a "community dimension."

The rules would apply to all operations, friendly, hostile, public, private, or even non-European.

A merger would have community dimension, according to the definition in the proposed rules, if its combined worldwide sales exceeded 1 billion ECUs and all parties in the transaction had sales within the EC of at least 100 million ECUs.

The 100 million ECU provision, a Commission staffer explained, "would prevent a big oil company from having to apply for clearance every time it buys a gas station."

For banks, these floors would apply to one-tenth of total assets, instead of sales. For insurance companies, the minimums would apply to premium income.

However, even if the proposed merger would create an entity surpassing these floors, it would be exempt from the prior approval requirement if each of the parties got more than 75 percent of their aggregate EC sales from activities within the same member state.

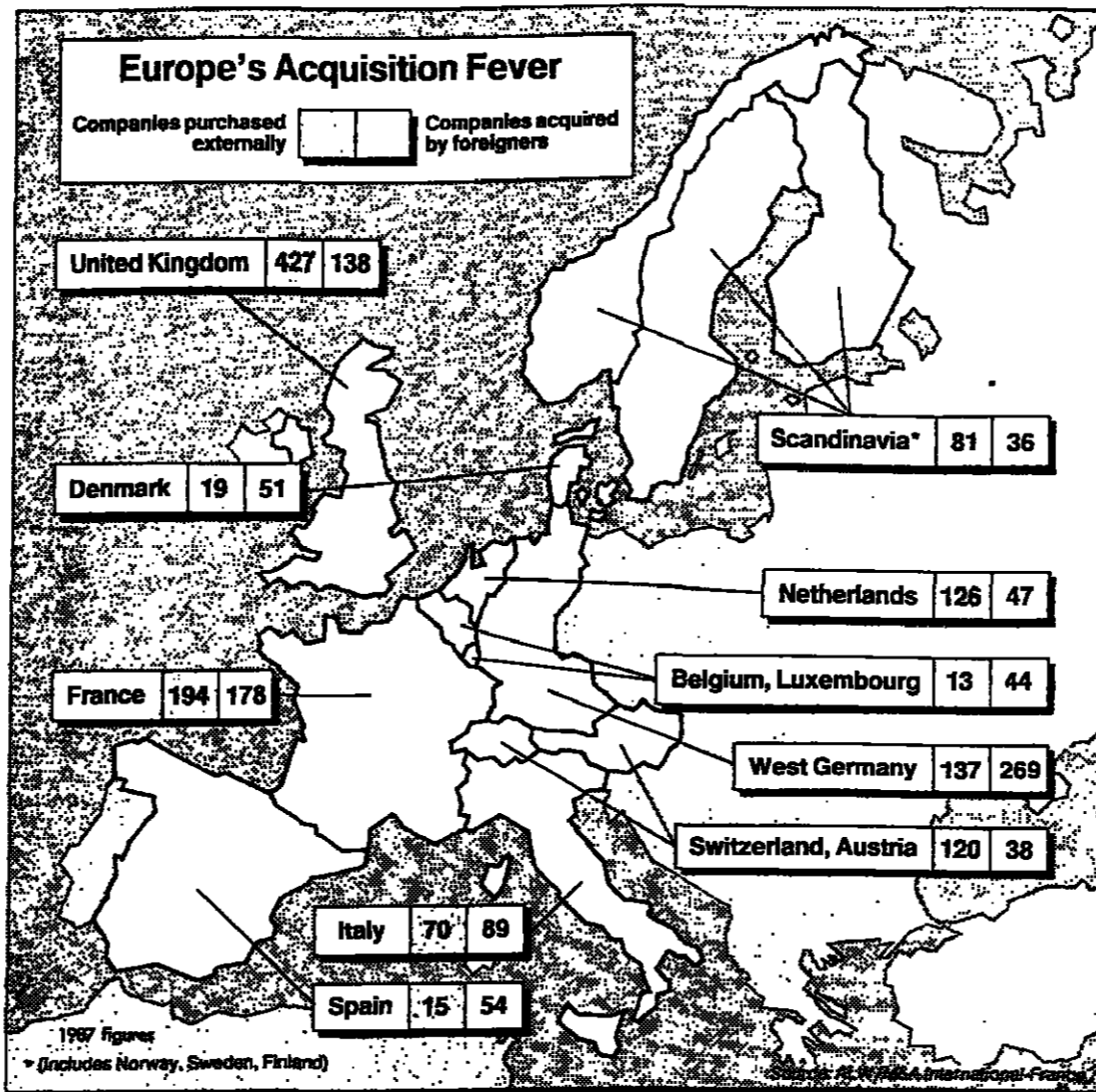
In the June 1986 to June 1987 period, the Commission counted 171 mergers that surpassed the minimum turnover levels called for in the draft regulations, though only a small portion of those also exhibited a community dimension.

For a large operation to win clearance from the EC, the company or companies seeking the merger would have to demonstrate that the resulting concentration was not incompatible with the EC.

Factors to be considered would include "market position of the undertakings concerned and to their economic and financial power; to opportunities available to suppliers and users; to access to supplies and markets; to the structure of the markets affected taking account of international competition; to legal and factual barriers in entry, and to supply and demand trends for the relevant goods or services."

Under the proposed rules, mergers resulting in market share concentrations of less than 25 percent in the EC would be approved unless an analysis of the above-mentioned factors led to the conclusion that the merger would still damage competition.

However, the rules could still permit mergers, otherwise snaggled on these definitions, when their "contribution to improving production and distribution, to promoting technical or economic progress or to improving the competi-



# Low Dollar Helps Europeans in U.S.

PARIS — Transnational mergers and acquisitions have risen sharply throughout the Western world in the last year. And although most of the activity, in numbers of transactions and value, is still concentrated in the United States, Britain and France are making strides of their own.

In the first half of this year, the number of acquisitions involving a U.S. company rose 12 percent, to 1,031, over the same period of 1987, according to W.T. Grimm & Co., a Chicago-based consultant. The value of these deals soared 42 percent in the period, to \$129.4 billion.

The increase could be traced to the greater number of very large acquisitions. There were 195 deals valued over \$100 million, 29 more than in the year-earlier period. Transactions of \$1 billion or more rose to 30 from 17.

Prompted by a relatively low dollar, foreign companies during the period increased their acquisitions in the United States by 53 percent, to 151. The value of these deals jumped 86 percent, to \$31.3 billion. Leading the way were Britain, with 49 acquisitions for \$7.2 billion; Canada, 24 for \$10.8 billion; Japan, 21 for \$4.1 billion; and France, 12 for \$2.4 billion.

W.T. Grimm counts as an acquisition any deal involving an American company in which at least 10 percent of another company's stock is being purchased or in which the purchase price is likely to be at least \$10 million. Since purchase prices are not revealed in many cases, the total values calculated often cover a smaller number of transactions.

M&A activity involving British companies is also skyrocketing. In the first nine months of 1988, the magazine Acquisitions Monthly counted 283 purchases by British companies in the United States worth \$18 billion. In 1987, there were only 134 such purchases, totaling \$1.25 billion.

Deals by British companies in Europe through September rose to 168 and were worth £1.63 billion (\$2.87 billion). In 1987, according to the magazine, there were 95 such acquisitions, totaling £683 million.

In France, acquisitions in the first half jumped 53 percent, to 658, according to PF Publications, a Paris-based company that tracks deals through its ties to French banks. Of these, there were 30 takeovers launched on the stock market, compared to five in the first half of 1987.

In all of 1987, 915 deals involving French companies were valued at 165.8 billion francs (\$27.6 billion), almost triple the 1986 figure of 61.08 billion francs, according to PF Publications. A study focusing on transactions in-

volving smaller companies in Europe indicates that transnational deals within the continent last year increased faster than transactions involving a European and overseas party.

The study, by ALW/M&A International-France, a Paris-based mergers consultant, showed that transborder deals involving at least one European

## Foreigners have increased acquisitions in the U.S. by 53 percent. The value of these deals amounted to \$31.3 billion.

party grew 23 percent over 1986, to 1,461. However, deals in which both parties were European increased 39 percent, to 731.

Though smaller in absolute number, Scandinavian, Italian and Dutch companies tallied the biggest percentage increases in cross-border acquisitions in Europe in 1987.

According to the study, transborder acquisitions by companies based in Norway, Sweden and Finland grew 93 percent, to 81; Italian companies' foreign acquisitions grew 63 percent, to 70; and purchases by firms based in the Netherlands rose 45 percent, to 126.

The survey, based on newspaper reports of deals involving a shift of majority control, indicates that in 1987, the countries making the most transnational acquisitions were Britain, 427; France, 194; United States and Canada, 167 (only with European sellers); West Germany, 137; Netherlands, 126; and Switzerland and Austria, together, 120.

The countries in which the most companies were acquired by foreign firms, according to the study, were the United States and Canada, 417 (only from European buyers); West Germany, 269; France, 178; and Britain, 138.

Jacques Neher

tive structure within the Common Market outweighs the damage to competition."

This provision is similar to one found in Articles 85 and 86 of the Treaty of Rome, which give the Commission the power to punish companies that engage in abusive anti-competitive actions. However, the new provision goes a bit further by stating that "the competitiveness of the sectors concerned with regard to international competition shall be taken into account."

Though the Commission would be the judge in these cases, the proposed rules state that it would seek testimony from the parties concerned, from interested third parties and from authorities of member states. It would also seek a nonbinding opinion from an advisory committee on concentrations, to be made up of two officials from each state.

Britain's objections centered on the incompatibility of the proposed rules with the needs of business and the financial markets, particularly the time required to get a decision.

"The basic idea is a good one, but you need something quicker, something that recognizes the realities of the mar-

ketplace," said Bob Blower, an official with the British Bankers' Association. "Two months is a long time. The market can change a lot in two months, even one. What may seem like a good deal today may not seem so good tomorrow."

Companies launching stock market takeovers would be left in limbo — and at considerable risk — while Brussels was considering the case, say critics. Under the proposed rules, anyone attempting a takeover would not be able to exercise voting rights on the shares acquired until after approval was granted from the Commission. A negative decision could prove disastrous for investors.

Also complicating matters for investors and takeover players, the critics say, is the uncertainty of how the EC's rules and timetable would mesh with Britain's own process for controlling anti-competitive mergers.

Currently, large mergers involving a British company must be cleared by the Office of Fair Trading. The office, which normally rules within a month, can then recommend to the Department of Trade and Industry that the case be sent on to the Monopolies Com-

mission, which can then take another three to six months to ultimately rule.

The debate over EC merger regulations also involves a power struggle between member states and Brussels.

"The biggest problem is how to set up something sensible and practical without relegating all the power and responsibility to Brussels," said Mr. Thompson of Morgan Grenfell.

France, though not complaining directly, is also leary of the proposed regulations, according to Alain de Sechelles, a Paris attorney.

"What we fear is that the floor will be too low and prevent French companies from merging to obtain European stature, while in Germany this has already been achieved," Mr. de Sechelles said.

On the other hand, he said the poorer countries in the community — Italy, Spain, Greece and Portugal — welcome the low floors in the EC regulations because "that way those countries don't have to spend money controlling these deals themselves. They can just let the EC perform that function for them."

JACQUES NEHER, a journalist based in Paris, is a regular contributor to the International Herald Tribune.

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**MORGAN STANLEY INTERNATIONAL**  
September 2, 1988

Jockeying for Position ■ A Question of Size

# In Merger Scramble, Companies Redraw Corporate Map of Europe

By Marybeth Nibley

**L**ONDON — The corporate map of Europe is being redrawn. Companies vying for power have embarked on a mergers and acquisitions campaign so frenetic that it is sweeping aside boundaries in what could become a significant peacetime realignment of Europe.

Momentum behind the campaign has gathered as businesses make strategic decisions in preparation for 1992, the year in which the European Community intends to lift the last barriers to trade among its 12 member countries. The result will be a single, unified area of more than 300 million consumers.

Creation of such a market, similar in scale to the United States, will present commercial opportunities. For obvious reasons, companies that already have a presence across the continent will be in a better position to take advantage of the opportunities.

But others that until recently have failed to cultivate business outside their home country are struggling for a toehold. Many of these now are in the process of identifying suitable acquisitions, seeking compatible merger partners or forging links with foreign competitors.

While the 1992 deadline has served to focus the attention of European companies on international expansion, other factors also have motivated their thinking, said Guy Harrington, director in charge of corporate finance at J. Henry Schroder Wagg & Company.

"Some of the M&A activity is being driven by forces besides 1992," he said.

Among these factors are demographic changes taking place throughout Europe, which will require marketing approaches geared toward an older population; deregulation within countries, which in some cases may alter traditional ways of doing business, and a

continual breakdown of the welfare state, which has increased the control exerted by markets rather than governments.

Perhaps the most potent force for the takeover boom was the stock market crash a year ago. To the acquisition-minded, it was a dream come true because it turned targets into bargains.

"What we're seeing is part of a process that will result in a consolidation within many industries throughout Europe," said Michael Hutchinson, corporate finance director at the London office of Yamachi International (Europe) Ltd.

He added that he believes there is a strong trend "towards some quite dramatic consolidation."

The effects will be more pronounced in some industries than in others, noted Christopher Moore, director of mergers and acquisitions at Robert Fleming & Company.

For instance, in manufacturing, where big companies traditionally have sought economies of scale by establishing international operations, the impact will not be as strong as in the services sector, Mr. Moore said.

Banking has been a fertile field for takeovers and alliances. Banking analysts say a growing number of small to mid-sized European banks are forming alliances with friendly institutions in a bid to ward off unwanted suitors.

Any banks that do not gird their defenses are vulnerable to attack by major banking groups eager to break into the retail and corporate banking market in the European Community. And big American and Japanese banks are expected to step up the battle for European preeminence.

An alliance announced in October between the Royal Bank of Scotland PLC and Spain's Banco Santander involved the exchange between the two banks of 2.5 percent of each other's equity. The cross-border shareholding is an example of the type of practice becoming

more common as regional banks attempt to maintain their independence while bolstering themselves for stiffer competition.

Elsewhere in the services sector, similar techniques are being applied.

In transactions concerning businesses that rely on creativity and the preservation of good employee morale, companies establishing European networks frequently have opted to set up joint ventures and alliances based on minority shareholdings instead of trying to take

leading Paris financial newspaper. The continuing development of commercial television and radio is expected to touch off skirmishes for Europe's airwaves.

The wave of takeovers, alliances and joint ventures in Europe has carried in firms from outside the EC. Companies from Australia, Japan, the United States and the European countries that are not members of the EC have been staking claims in the community.

For those accustomed to M&A practices in

only about 550 of the country's 2,500 public companies are quoted and less than half of those are traded actively. The rest of West Germany's companies, including many large groups, are held privately, often by families or affiliated firms and banks.

The story is true to differing extents elsewhere in the EC. It has been estimated that 70 percent of all the deals going on since the takeover tide rose in Europe involve uncontested bids between private companies valued at the equivalent of \$100 million or less.

Determining how much pure M&A activity really is occurring in Europe requires careful analysis. Research by Credit Suisse First Boston indicates that there is far less of it than generally assumed.

According to the firm's analysis, most of the recent spectacular takeovers involved at least one company, usually American, from outside the European Community. Most of the rest of the true mergers or acquisitions have involved British, not European, companies on one side.

As for intra-European transactions, most of them come under the headings of joint ventures or alliances and have typically been undertaken for defensive purposes. Such link-ups will prolong the current atmosphere that has prevailed in Europe, the firm contends.

Analysis by others using less precise definitions of what constitutes a merger has led to the description "Europe Inc." for the phenomenon of European companies banding together. One business consultancy found that more than 80 percent of West European chief executives planned cross-border mergers.

Financiers who specialize in handling mergers and acquisitions say most activity in Europe will be concentrated among private companies largely because they are the dominant forces in European economies. Also, many of these companies were launched after World War II and have reached the stage at which management succession has become a concern.

Reasons for the selling and buying of companies may be unique to individual countries. Capital gains tax changes scheduled to take effect in West Germany, for example, may encourage owners to unload holdings sooner rather than later under less favorable tax conditions.

Arranging deals involving private target companies can pose problems because normally there is less information with which to work. In addition, corporate customs can hinder predators as effectively as any of the poison pills or shark repellents used in the United States.

For example, labor and banking interests represented on supervisory boards of German corporations provide a formidable takeover deterrent as does the loyalty that board members of Dutch companies have been known to show toward existing management.

Complying with local takeover laws, legal procedures and tax and accounting rules compound the difficulties, said Trevor Swete, managing director at Dresdner Burnham Lambert International, adding that a diplomat's skills are needed to address the cultural differences.

All the peculiarities of the European scene are generating more work for the M&A specialists. Many London-based merchant banks have expanded their M&A divisions with the aim of attracting clients engaged in the corporate scramble to acquire, divest or refocus operations.

Colin Keer, a managing director of Bankers Trust Company and head of its London M&A operation, said the City of London has become the stronghold of Europe's M&A expertise.

"As a profession, it's absolutely centered in London because it's regarded as an Anglo-Saxon art," Mr. Keer said.

## Momentum behind the campaign has gathered as businesses make strategic decisions in preparation for 1992.

100 percent control of another firm. The advertising industry in particular offers many examples of such arrangements in Europe.

Among the services industries undergoing transformation due to the M&A binge, the food and beverage business stands out. Some of the biggest European takeover deals have occurred in this area, such as the acquisition of Britain's Rowntree PLC for about \$4 billion by Nestlé S.A. of Switzerland. Brand names of foods and drinks easily recognized throughout Europe have been involved in numerous takeovers and attempted ones.

Media and publishing also have figured in the takeover trend. Pearson PLC, the publisher of the Financial Times, came under pressure from the media magnate Rupert Murdoch, for instance. Meanwhile, Pearson augmented its European presence by buying Les Echos, a

the United States or Britain, the experience in Europe has proved educational and sometimes difficult.

In contrast with the United States and Britain, where corporate takeovers frequently involve hostilities, European deals more often have been friendly, observed Anthony Parry, director of the European mergers and acquisitions department at Hambro Bank Ltd.

A key characteristic that differentiates continental Europe from Britain and the United States is the comparatively small number of publicly held companies listed on stock exchanges.

There are more quoted companies in Britain than on all other European stock exchanges combined, Mr. Parry pointed out. Even in Europe's largest economy, West Germany,

# Moves by Spanish Banks Underline Strategic Dangers

By Flammetta Rocco

**M**ADRID — Take a country with a booming economy, a low inflation rate and a significant level of pent-up demand that can suddenly be satisfied after years of doing without, and what emerges is a fairly accurate thumbnail sketch of Spain today, where an expected 5 percent to 6 percent economic growth in 1988 will again top analysts' predictions and outpace growth rates in every other European state.

Give that economy, with a population of 39 million behind it, an entrée into the European Community. With the impending removal of the community's frontiers, which will allow the free movement of goods and capital, it becomes clear why the mergers and acquisitions business in Spain is a booming growth industry.

Spanish companies are frantically rearranging their corporate strategies in preparation for the day when they will have to sell to a free market of 300 million and defend themselves

from other, expansionary Europeans who will be doing the same after 1992.

Hardly a day passes in Madrid without the announcement of another corporate acquisition. These include Spanish banks buying smaller banks; French publishing houses and Swiss food companies snapping up Spanish manufacturers; Elf-Aquitaine and British Petroleum buying land to build gas stations throughout the country; and the giant Kuwait Investment Office gobbling everything that moves.

The craze for corporate acquisitions has reached such proportions that the Spanish economy now enjoys the third largest inflow of direct investment capital in the world, after the United States and Japan.

The logic behind these expansions makes perfect sense, in theory. Without sufficient critical mass, small or medium-sized Spanish companies will be unable to take advantage of economies of scale and survive profitably in the new world of pan-European competition. However, implementing this strategy will be far from easy, and it is likely that the route to

1992 in Spain will be littered with corporations that got it wrong.

Nowhere are the dangers and differing viewpoints clearer than in the banking sector, where a series of giant mergers and acquisitions earlier this year made newspaper headlines for weeks on end.

The government gave full marks to the merger announced in January between Banco de Bilbao and its Basque neighbor, Banco de Vizcaya. It was even happier at the later, and larger, merger of Banco Español de Crédito (Banesco) and Banco Central, now renamed Banco Español Central de Crédito, or BECC.

**F**INANCE MINISTER Carlos Solchaga and Mariano Rubio, governor of the Bank of Spain, had long been chivving Spain's leading banks to consider merging with their rivals. Prime Minister Felipe González described the BECC marriage as "probably the economic event of the century."

With assets of 5.5 trillion pesetas (\$50 billion), 4,200 branches, 35,000 employees and a 25 percent share of the domestic market,

BECC finally has the balance sheet, the government believes, to take on virtually anyone in Europe. The post-merger BECC is Europe's 30th largest bank, while the smaller Banco Bilbao-Vizcaya is 37th.

Yet many are convinced that the merging banks have made a serious error in combining entities that are similar rather than complementary, and that it will eventually cost them dearly in terms of a blurred corporate culture, lost market share and dwindling earnings.

The argument is that the case for larger units is far from proven, and that although a larger market share — especially in the high-margin retail business — holds obvious attractions, the additional problems of merging could far outweigh the theoretical advantages of potential economies of scale.

"What matters is efficiency and profitability, not size, and I can see no hard evidence that the mergers will necessarily produce more efficient banks," said a senior economist at Banco Atlantico, a subsidiary of the Bahraini Arab Banking Corp. and one of the most efficient smaller Spanish banks.

Banesco and Banco Central, contented oppo-

nents of the merger, will have to shut a lot of branches to avoid an unnecessary and unprofitable fight for the same Spanish retail peseta. In doing so, their market share may well slip. There are many small Spanish towns in which Banco Central and Banesco are the only two bank branches open for business. Closure of one may well tempt another bank to expand into the same town.

The strongest criticism of the BECC merger is that it was a panic move by the two boards when rumors began surfacing in Madrid that they were being stalked by large overseas banks in search of Spanish retail business. The criticism is not without justification. When the merger was first announced, the greatest advantage stressed by the new board was the size of the new bank, not where it was going.

That is a far cry from the well-articulated strategy of some of Spain's smaller banks that have been carefully forging links with efficient banks elsewhere in Europe.

Good examples are Banco Hispano Americano's tie-ups with Commerzbank, Crédit Lyonnais and Banco di Roma, and Banco San-



Mario Conde, deputy chairman of BECC, Europe's 30th largest bank. Conde's recent stock swap with Royal Bank of Scotland. FLAMMETTA ROCCO is a contributing editor to Institutional Investor.

## 1988: Financing, Investing, Advising... European Merchant Banking

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Management Buy-In of  
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**United Precision Industries Ltd**  
(a company formed by management)

We structured, led and syndicated the financings, provided equity, and underwrote the mezzanine debt for this transaction.

New York  
July 1988

**U.S. \$150,000,000**  
Loan facilities  
**GPG Inc.**  
in connection with the acquisition of  
**Guinness Mahon Holdings plc**

We structured and underwrote the financing, provided funding, arranged syndication and acted as Security Agent and Agent.

London  
July 1988

**U.S. \$100,000,000**  
Management Buy-In of  
**the Bearings Division of RHP Group**  
by  
**United Precision Industries Ltd**  
(a company formed by management)

We structured, led and syndicated the financings, provided equity, and underwrote the mezzanine debt for this transaction.

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**Lire 155,000,000,000**  
Management Buy-Out of  
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by  
**Iniziativa Industriale per Macchine da Cucire Srl**  
and  
**Stageda Limited**  
(companies formed by management)

We initiated, arranged and underwrote the equity, mezzanine and senior debt for this transaction and served as Security Trustee and Agent.

Milan and London  
July 1988

**Fr. 100,000,000**  
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**the assets of Sciaky and Sietam Systemes**

We structured and underwrote this transaction.

Paris  
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**Lire 84,000,000,000**  
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**the assets of the group of companies**

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مركزنا من الأصل

EC Challenge ■ Internationalization

# Competition Brings Rethinking of Global Strategies in Germany

By Edward Roby

**F**RANKFURT — Daimler-Benz AG, already West Germany's largest industrial company after three major acquisitions in the mid-1980s, now seems poised to swallow a decisive stake in the country's largest aerospace and armaments concern, Messerschmitt-Bölkow-Blom GmbH (MBB).

Two large regional central institutions in the savings bank sector are about to enter negotiations toward a 1990 merger that would create West Germany's second largest bank, with total assets of around \$130 billion.

And the No.1-ranked Deutsche Bank AG, which has already collected an impressive stable of industrial holdings, including a 28.1 percent stake in Daimler, has developed an emergency plan to pump equity capital into Duisburg's venerable Klöckner trading company after the plant firm was rocked by losses of 600 million or 700 million Deutsche marks (\$533 million or \$412 million) from oil speculation.

The names of all these businesses are household words in West Germany, and their activities regularly make headlines because they so profoundly influence the country's economy. The Daimler chairman, Edward Reuter, commented in a mid-October television interview, for example, that his company alone—after its acquisitions three years ago of the Dornier GmbH aerospace group, MTU Motoren-und Turbinen-Union GmbH and the AEG AG electrical concern—generates 4 percent of West Germany's gross national product.

Little wonder that Wolfgang Kartte, president of the West German Cartel Office, issued a preemptive warning against the Daimler-MBB combination. Critics argue that it could lead to an uncontrollable military-industrial colossus. And some profess to have seen all this happen before—under National Socialism.

Mergers and acquisitions on such a grand scale have become routine in the United States and some other foreign countries. But they still make the Germans nervous, partly because the traditional backbone of the country's economy has been responsive, innovative and flexible family-owned businesses.

The increasingly international engagement of industry, and particularly the competitive challenge posed by the approach of the integration of the European Community market at the end of 1992, is slowly forcing business and political leaders to think in global terms.

Thus, mergers like those of Westdeutsche Landesbank Girozentrale (West LB) with Hessische Landesbank Girozentrale (Helaba) in the savings bank sector and Daimler-Benz with MBB in industry are being encouraged by government.

"We are in a massive international competi-

tion," said Mr. Reuter. "The international competition demands a certain size."

Big as it is, Daimler-Benz is still only a third the size of General Motors. Indeed, only 52 West German companies made the Fortune list of billionaires in dollar turnover in 1986, compared with 297 U.S. businesses, 151 Japanese and 72 British.

EC authorities in Brussels who have drafted plans for a centralized cartel agency now seem to be promoting further concentration in some fields. Mr. Kartte has complained that the EC proposal appears so vague that it could turn into a "fig leaf for a spongy European industrial policy." That might foster social engineering schemes at the expense of healthy competition in a free market.

Cartel office statistics show that after a period of stagnation in the 1970s, a wave of mergers and acquisitions with significant impact on market control took off sharply in 1983 and has been rising relentlessly ever since. Last year alone, the antitrust agency dealt with a record 887 such major combinations.

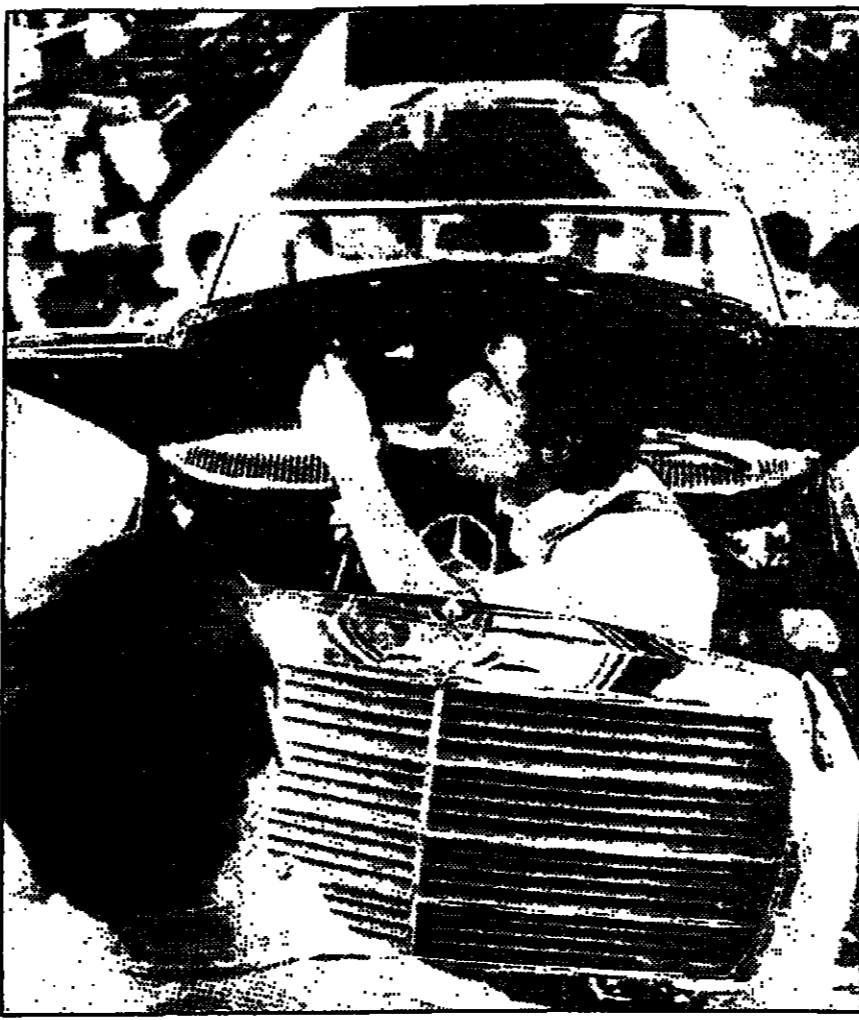
**S**EPARATE FIGURES from corporate acquisitions specialists and merger consultants suggest that the number of business fusions overall could be more than twice as high when small businesses and those with less than a 20 percent share of their market are included.

A key issue is whether such industrial concentration could reach a point that it might damage the market economy, hurt the consumer and threaten the survival of small- and medium-sized businesses. Industriekreditbank AG-Deutsche Industriebank (IKB) of Düsseldorf and Berlin, which finances mid-sized, family-owned businesses, examined the issue in a thorough study released at its annual press conference in September.

In general, said Siegfried C. Cassier, a general manager of the bank, the study was unable to detect a threat to the economy through concentration. While concentration in some branches such as food retailing, where the top 10 companies have captured a market share of 55 percent or more in recent years, has become an issue, the opposite trend is at work in other important sectors.

One reason for this is that the number of new businesses being formed, especially in the fast-growing services sector, soared in the period from 1978 to 1984, well outdistancing the number of business liquidations. Another factor is that established companies are continually divesting and spinning off certain of their businesses, even as their occasional acquisitions are making news.

It is significant that many of the most spectacular acquisitions of West German multinationals in the past few years have involved the purchase of foreign companies, particularly in the United States and the EC partner countries



Workers at a Mercedes-Benz factory in Stuttgart.

of France, Italy and Britain. A large number of these have come in the chemicals, automotive and electro-technical branches where there are strong international links.

Prominent examples are Siemens AG's purchase of Bendix Electronics, Hoechst AG's acquisition of Celanese and the takeover of Spain's Fiat by Volkswagen Werk AG. West German banks and insurers have also been on a buying spree in Europe, and produce retailers and traders have lately been getting into the act.

Direct U.S., British and French investment in German industry is nothing new. But statistics furnished by Wupper & Partner, merger and acquisition consultants in Hamburg, show that the Swiss and Swedes are now buying in search of EC bases.

IKB cited Monopoly Commission statistics showing that the weight of the 100 biggest German companies in the economy actually dipped slightly between 1978 and 1986 and that their participation in mergers and takeovers at home has remained static or decreased. While concentration increased in the automotive, printing, textile and precision mechanics branches, it decreased in steel, machinery, chemicals and electronics between 1977 and 1986.

"The figures, moreover, show that the lead-

ers among the major German companies have in no way been able to extend their positions," IKB concluded.

West Germany's list of top 100 companies includes few businesses engaged in services, which is the sector that generated disproportionately high growth in the first half of the 1980s. In no other sector are so many overwhelmingly small and medium-sized companies engaged.

About half of all new businesses starting up are in services. About 200,000 firms have shared the field since 1980, and 95 percent have a turnover of less than 1 million Deutsche marks a year.

IKB found that concentration is rising among small- and mid-sized businesses and in those branches where the level of concentration had been relatively low.

In general, it found that merger activity was strongest in growth branches and businesses with intensive research requirements. The study also revealed that competition between corporate dwarfs and giants in the same market was rare and that leeway for mid-sized companies was expanding in many fields.

**EDWARD ROBY** is the English-language editor of *Vereingigte Wirtschaftsdienste GmbH*, an economics news agency based in Frankfurt.

# Japan Looks to U.S. In Bid to Gain Skills

Continued from page 1

mergers resulting from the European Community's unification of its market in 1992.

Asia trails third as an M&A target for the Japanese. There were only 43 Japanese mergers and acquisitions in Asia last year, including the purchase by Ajinomoto, a food company, of the Asia division of America's CPC International for 50 billion yen (\$400 million). In the first nine months of this year, there were just 31 Asian mergers and acquisitions by Japanese companies.

Japanese manufacturing firms still prefer direct investment in the region. Mostly, they are after lower production costs which are best achieved by a greenfield start-up, or sales networks. There is little Asian technology that Japanese firms want to acquire.

The growth of Japanese service industries in the newly industrializing economies of Hong Kong, Singapore, South Korea and Taiwan may offer better prospects, financial analysts suggest. Retailers in particular may be forced to acquire assets, such as store sites in prime locations, through mergers and acquisitions.

However, only the Hong Kong and Singapore stock markets are open to foreign investors. There are limits on direct foreign participation in the Seoul and Taipei markets.

Japan's banks and securities houses are encouraging this latest boom of mergers and acquisitions because they see it as an opportunity to enter a growing fee-earning business.

Officials at Sanwa Bank say they expect Japanese mergers and acquisitions to double in value and volume over the next three years. Sanwa Bank, along with Mitsubishi Bank, is considered a leader among the commercial banks in a business that has been dominated by the securities companies or investment banks such as Industrial Bank of Japan.

**T**HE WEAKNESS of the new Japanese M&A teams, the bankers admit, is spotting potential targets. Not that they are not spoilt for choice. All Japanese M&A specialists have U.S. and European investment bankers lining up outside their doors with possible targets. The top foreign investment banks in Tokyo, such as First Boston and Morgan Stanley, keep full-time M&A teams in their local offices.

So, too, do some Japanese corporations. The Mitsubishi trading house is just one that has set up an in-house M&A department in the past year or so.

This is a further sign of how mergers and acquisitions is regaining acceptability among Japanese businessmen. Another is that banks with high reputations in mergers and acquisitions are winning business from outside their own industrial groups, something that was unimaginable in the past. Mitsubishi Bank, for example, is now extending its list of M&A clients beyond just the Mitsubishi group.

The banks are also finding that they can start to charge fees for mergers and acquisitions work. Until recently, bankers say, Japanese corporations expected M&A services to

be provided free as part of the banking relationship. The only way a Japanese bank could get a fee out of a deal was to use a foreign partner, which would charge the fee and then split it with the Japanese bank.

Japan's M&A teams are searching out deals at home as much as they are abroad. But the more aggressive attitude that Japanese businessmen are taking to mergers and acquisitions abroad is not yet being reflected in their mergers and acquisitions at home. The buying and selling of companies in Japan remains a consensual affair.

Japan has its own versions of arbitrageurs and greenmailers, but they are not liked by the business community as a whole. There has been quiet satisfaction that three of the most notorious greenmailers have gone bust this year.

The present takeover boom does not extend

The U.S. has the skills, products, technologies, markets and distribution networks that the Japanese want.

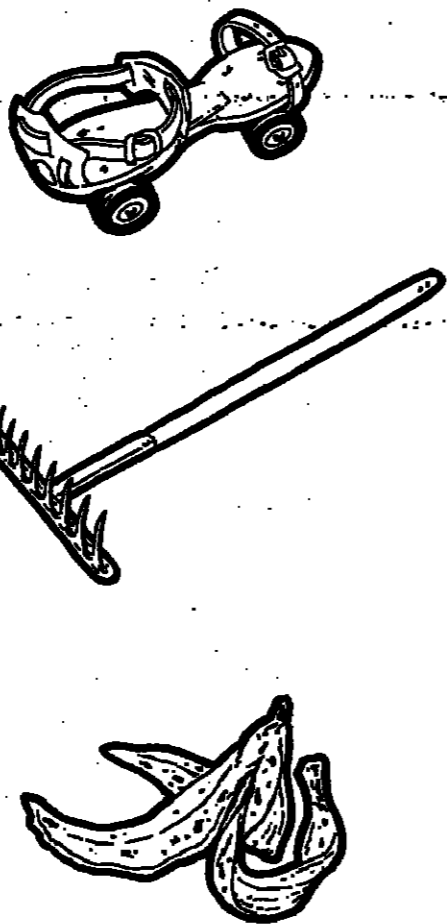
much to foreigners wanting to buy Japanese companies. Merck, an American chemicals firm which has managed to make a couple of small friendly acquisitions, is the exception rather than the rule.

Most M&A specialists reckon a hostile foreign takeover of a Japanese company is out of the question. In 1985, an attempted hostile takeover of Mineba Holdings, a ball-bearing company with a reputation for foreign takeovers itself, by a group of American investors was blocked by the Japanese business establishment closing ranks against the outsiders.

Apart from the cultural barriers, a foreign predator would have to disentangle a daunting web of corporate crossholdings through which many Japanese companies are controlled. They would also find it difficult to justify the potential return on their investment given Japan's high price-earnings ratios of Japanese companies shares.

**PAUL MAIDMENT** is *The Economist's* bureau chief in Tokyo.

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SATURDAY-SUNDAY, NOVEMBER 12-13, 1988

Economic Scene Markets Quail at Thought Of Little Change by Bush

By LEONARD SILK New York Times Service NEW YORK — Considering how Wall Street had rooted for George Bush's election...

Until Mr. Bush shows he will deal with the deficit forthrightly, markets will be nervous.

Other economic matters need Mr. Bush's early attention, such as the danger that the Canada-United States free-trade agreement...

UNTIL THERE is clearer evidence that Mr. Bush means to deal with the budget deficit forthrightly...

The markets, both in the United States and abroad, are anxious about the effect of continuing budget deficits on the U.S. trade and current-account deficits.

High U.S. interest rates discourage American investment in plant and equipment, weakening national growth...

In fact, the three policies are tied together. In the absence of clear guidance from the newly elected president...

Currency Rates table with columns for currency, bid, ask, and other rates.

Other Dollar Values table with columns for currency, bid, ask, and other values.

Interest Rates table with columns for instrument, rate, and other interest data.

Money Market Funds table with columns for fund name, assets, and other fund data.

Gold table with columns for instrument, price, and other gold market data.

Norway's Saga Rebuffs Elf Aquitaine's Advances

OSLO — Elf Aquitaine, France's state oil company, has offered to take over beleaguered Saga Petroleum A/S through its Norwegian unit but Saga has refused...

GTE Sets Increased Job Cuts 14,000 Positions To Go by 1992

NORWALK, Connecticut — GTE Corp. has announced plans for additional job cuts in its domestic telephone operations...

The announced Thursday came one day after the corporation disclosed plans to eliminate 7,000 management positions by 1992...

As with many of Renown's competitors, change has not come easily for the 85-year-old company since the need for it became apparent several years ago...

Earlier this year, GTE said it agreed to sell its stake in the unprofitable U.S. Sprint Communications Co. to United Telecommunications Inc. for about \$600 million.

The 50-50 joint venture was founded in July 1986. Its persistent billing problems caused GTE to report a \$121 million loss and United Telecommunications posted a \$63 million loss from U.S. Sprint operations in the first quarter of last year.

The bank, which commits more than \$20 billion a year to developing nations, is working on an estimated \$250 million of loans to Poland.

WASHINGTON — The World Bank is lending a Polish farm cooperative \$17.9 million to help it export produce to Western Europe...

The Borrowing of Corporate America

By Sarah Bartlett New York Times Service NEW YORK — The recent wave of takeovers, leveraged buyouts and corporate restructurings has highlighted the growing importance of borrowed money to corporate America.

In Japan, the government acts almost as a sponsor of industry, ensuring that economic and political conditions are favorable, and stepping in when they are not.

Britain Delays Privatization Of Savings Bank

LONDON — The British government said Friday it was delaying the privatization of its Post Office savings bank because no suitable bidder had emerged.

Potential buyers had been deterred by the drab state of Britain's post offices and the low spending power of Girobank's two million customers...

Financial analysts said the difficulty in finding a buyer for Girobank meant it was likely to be sold for a giveaway price below the original forecasts of about £200 million.

Pernod Wins a Round In Irish Distillers Fight

DUBLIN — The French beverage concern Pernod Ricard SA won the latest round in a six-month battle for the whiskey maker Irish Distillers Group PLC on Friday.

Chief Justice Thomas Finlay upheld an Irish High Court decision last month that ruled Pernod had won an irrevocable promise from Fyffes to sell its holding to the French firm.

Générale's nonferrous metals operations. The company also announced restructuring plans for two troubled subsidiaries, Fabrique Nationale de Herstal SA, a leading maker of light firearms, and Gechem SA, which comprises much of its chemical business.



Workers at one of the production facilities of Renown Inc., the largest apparel maker in Japan.

Textile Leader Weaves New Course Japanese Apparel Firm Adjusts to Changing Patterns

TOKYO — When Japanese knitwear manufacturers petitioned the Finance Ministry for protection against South Korean imports a few weeks ago, the irony of the event, which was a first in Japanese industrial history...

Reflecting Japan's current boom in personal consumption and a range of strategic changes within the company, industry analysts said they expected Renown to post a 53 percent gain in operating profit this year, to 4.8 billion yen (\$38.7 million), on a 5 percent increase in sales.

Générale Owners Confront the Sprawling Giant

BRUSSELS — The new owners of Belgium's biggest company, Société Générale de Belgique, this week took the first steps toward streamlining the sprawling conglomerate.

Analysts said, however, that much work remained before company profits would generate adequate returns on the huge investments made by the owners when they fought a bitter battle for control earlier this year.

Yet to justify international support, officials cited developments like Poland's export growth, efforts to honor foreign debt obligations and new programs aimed at encouraging market forces and attracting foreign investors.

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Friday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: High, Low, Stock, Div. Yld, PE, High, Low, Stock, Div. Yld, PE. Lists various stock symbols and their performance.

Table with columns: High, Low, Stock, Div. Yld, PE, High, Low, Stock, Div. Yld, PE. Continuation of stock market data.

Table with columns: High, Low, Stock, Div. Yld, PE, High, Low, Stock, Div. Yld, PE. Continuation of stock market data.

Table with columns: High, Low, Stock, Div. Yld, PE, High, Low, Stock, Div. Yld, PE. Continuation of stock market data.

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) Nov. 10, 1988

Table with columns: Fund Name, Current Price, Change, Div. Yld, PE. Lists various international investment funds.

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**Friday's AMEX Closing**

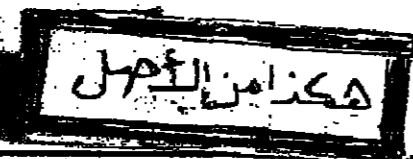
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Via The Associated Press

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	Low	Open	Close
110	100	AA				110	100	105	105
115	105	AA				115	105	110	110
120	110	AA				120	110	115	115
125	115	AA				125	115	120	120
130	120	AA				130	120	125	125
135	125	AA				135	125	130	130
140	130	AA				140	130	135	135
145	135	AA				145	135	140	140
150	140	AA				150	140	145	145
155	145	AA				155	145	150	150
160	150	AA				160	150	155	155
165	155	AA				165	155	160	160
170	160	AA				170	160	165	165
175	165	AA				175	165	170	170
180	170	AA				180	170	175	175
185	175	AA				185	175	180	180
190	180	AA				190	180	185	185
195	185	AA				195	185	190	190
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210	200	AA				210	200	205	205
215	205	AA				215	205	210	210
220	210	AA				220	210	215	215
225	215	AA				225	215	220	220
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235	225	AA				235	225	230	230
240	230	AA				240	230	235	235
245	235	AA				245	235	240	240
250	240	AA				250	240	245	245
255	245	AA				255	245	250	250
260	250	AA				260	250	255	255
265	255	AA				265	255	260	260
270	260	AA				270	260	265	265
275	265	AA				275	265	270	270
280	270	AA				280	270	275	275
285	275	AA				285	275	280	280
290	280	AA				290	280	285	285
295	285	AA				295	285	290	290
300	290	AA				300	290	295	295
305	295	AA				305	295	300	300
310	300	AA				310	300	305	305
315	305	AA				315	305	310	310
320	310	AA				320	310	315	315
325	315	AA				325	315	320	320
330	320	AA				330	320	325	325
335	325	AA				335	325	330	330
340	330	AA				340	330	335	335
345	335	AA				345	335	340	340
350	340	AA				350	340	345	345
355	345	AA				355	345	350	350
360	350	AA				360	350	355	355
365	355	AA				365	355	360	360
370	360	AA				370	360	365	365
375	365	AA				375	365	370	370
380	370	AA				380	370	375	375
385	375	AA				385	375	380	380
390	380	AA				390	380	385	385
395	385	AA				395	385	390	390
400	390	AA				400	390	395	395
405	395	AA				405	395	400	400
410	400	AA				410	400	405	405
415	405	AA				415	405	410	410
420	410	AA				420	410	415	415
425	415	AA				425	415	420	420
430	420	AA				430	420	425	425
435	425	AA				435	425	430	430
440	430	AA				440	430	435	435
445	435	AA				445	435	440	440
450	440	AA				450	440	445	445
455	445	AA				455	445	450	450
460	450	AA				460	450	455	455
465	455	AA				465	455	460	460
470	460	AA				470	460	465	465
475	465	AA				475	465	470	470
480	470	AA				480	470	475	475
485	475	AA				485	475	480	480
490	480	AA				490	480	485	485
495	485	AA				495	485	490	490
500	490	AA				500	490	495	495

12 Month High	Low	Stock	Div.	Yld.	PE	52 High	Low	Open	Close
110	100	AA				110	100	105	105
115	105	AA				115	105	110	110
120	110	AA				120	110	115	115
125	115	AA				125	115	120	120
130	120	AA				130	120	125	125
135	125	AA				135	125	130	130
140	130	AA				140	130	135	135
145	135	AA				145	135	140	140
150	140	AA				150	140	145	145
155	145	AA				155	145	150	150
160	150	AA				160	150	155	155
165	155	AA				165	155	160	160
170	160	AA				170	160	165	165
175	165	AA				175	165	170	170
180	170	AA				180	170	175	175
185	175	AA				185	175	180	180
190	180	AA				190	180	185	185
195	185	AA				195	185	190	190
200	190	AA				200	190	195	195
205	195	AA				205	195	200	200
210	200	AA				210	200	205	205
215	205	AA				215	205	210	210
220	210	AA				220	210	215	215
225	215	AA				225	215	220	220
230	220	AA				230	220	225	225
235	225	AA				235	225	230	230
240	230	AA				240	230	235	235
245	235	AA				245	235	240	240
250	240	AA				250	240	245	245
255	245	AA				255	245	250	250
260	250	AA				260	250	255	255
265	255	AA				265	255	260	260
270	260	AA				270	260	265	265
275	265	AA				275	265	270	270
280	270	AA				280	270	275	275
285	275	AA				285	275	280	280
290	280	AA				290	280	285	285
295	285	AA				295	285	290	290
300	290	AA				300	290	295	295
305	295	AA				305	295	300	300
310	300	AA				310	300	305	305
315	305	AA				315	305	310	310
320	310	AA				320	310	315	315
325	315	AA				325	315	320	320
330	320	AA				330	320	325	325
335	325	AA				335	325	330	330
340	330	AA				340	330	335	335
345	335	AA				345	335	340	340
350	340	AA				350	340	345	345
355	345	AA				355	345	350	350
360	350	AA				360	350	355	355
365	355	AA				365	355	360	360
370	360	AA				370	360	365	365
375	365	AA				375	365	370	370
380	370	AA				380	370	375	375
385	375	AA				385	375	380	380
390	380	AA				390	380	385	385
395	385	AA				395	385	390	390
400	390	AA				400	390	395	395
405	395	AA				405	395	400	400
410	400	AA				410	400	405	405
415	405	AA				415	405	410	410
420	410	AA				420	410	415	415
425	415	AA				425	415	420	420
430	420	AA				430	420	425	425
435	425	AA				435	425	430	430
440	430	AA				440	430	435	435
445	435	AA				445	435	440	440
450	440	AA				450	440	445	445
455	445	AA				455	445	450	450
460	450	AA				460	450	455	455
465	455	AA				465	455	460	460
470	460	AA				470	460	465	465
475	465	AA				475	465	470	470
480	470	AA				480	470	475	475
485	475	AA				485	475	480	480
490	480	AA				490	480	485	485
495	485	AA				495	485	490	490
500	490	AA				500	490	495	495

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125	115	AA				125	115	120	120
130	120	AA				130	120	125	125
135	125	AA				135	125	130	130
140	130	AA				140	130	135	135
145	135	AA				145	135	140	140
150	140								



CURRENCY MARKETS

DOLLAR: Currency Plummets Despite Intervention

(Continued from Page 1)

...by the Federal Reserve Board to support the currency.

"A statement of official government policy is very badly needed now," said Frank Watson of the Swiss Bank Corp.

Harris A. Markas of Citibank added, "There is a panic in the market that if we don't see some statement from the administration on its intentions, we will go lower."

In Tokyo, the Bank of Japan was reported to have bought about \$400 million to support the U.S. currency after it sank to a low of 223.63 yen, its lowest level in Japan since Jan. 4. The Japanese central bank later bought about \$100 million in after-hours Tokyo trading and in Singapore, dealers said.

The Bank of England also intervened on the foreign exchange market in London, buying dollars for yen apparently on behalf of the Bank of Japan, dealers said. The British central bank declined to comment, but dealers said it bought dollars at about 122.75 yen.

The Japanese vice finance minister, Akira Nishigaki, said Japan would intervene as necessary in currency markets both in Tokyo and overseas.

The West German Bundesbank also intervened to support the dollar against the mark, buying \$50 million as the fixing started, dealers said. It was the first time since Jan. 4. The Bundesbank had intervened at the fixing since Oct. 7, when it sold \$14 million.

The dollar gained half a pfennig and half a yen in European trading after the Bundesbank intervened.

In London, the dollar closed at 122.695 yen, down from 124.120 yen Thursday, and at 1.7345 DM, down from 1.7595 DM. It also fell to 1.4568 Swiss francs, from 1.4792 francs, and at 3.9325 French francs, from 4.0125 francs. The pound ended at \$1.8158, up from \$1.7965 Thursday.

Some traders said the fact that Mr. Bush had not announced that Nicholas F. Brady would remain Treasury secretary caused concern in the market. Nevertheless, Mr. Brady was expected to retain the post that he holds in the current Reagan administration.

"The president-elect could move with his appointments to reaffirm the spirit of cooperation in the G-7," said Neil M. Soss, an economist at the First Boston Corp. The Group of Seven leading industrial nations are Britain, Canada, France, Italy, Japan, the United States and West Germany.

Mr. Soss also said traders would be closely examining budget proposals developed during the transition period before the inauguration of Mr. Bush on Jan. 20.

The transition period between U.S. administrations, when policy lines between the old and new teams can become murky, could also be a convenient time to let the dollar fall to help reduce the U.S. trade deficit, some analysts said.

(NYT, AP, Reuters, AFP)

London Dollar Rates

Table with columns for Currency, Rate, and Change. Includes entries for Deutsche mark, Swiss franc, Japanese yen, and French franc.

Norway Central Bank Acts To Stem Run on the Krone

OSLO—The Norwegian central bank on Friday bought substantial amounts of kroner and sold various currencies for the second straight day to support the currency, dealers said.

The krona has been under downward pressure from falling North Sea oil revenue, and from a narrowing of its favorable interest rate differential with other currencies.

The central bank declined to comment on the reported buying of kroner, but a spokesman said it agreed to extend interbank currency trading by an hour and a half because of large volume. Dealers said that the central bank sold U.S. dollars and European currencies.

Swedish banks were active in selling the krona, and were joined by substantial selling from Denmark and Switzerland, they said. By mid-afternoon, the krona had weakened in its trade-weighted basket of 14 currencies to 113.66, after opening at 113.32.

The central bank is committed to defending the krona within a five-point range, from 109.50 to 114.50.

On Friday in London, the British pound closed at 11.9015 kroner, up from 11.8143 on Thursday.

Dealers in Oslo said pressure on the krona had come partly from pessimism about Norway's economic situation, which has been affected by low prices for its North Sea oil.

But the krona also has lost some of its high interest rate allure. The return on krona investments has dropped in relation to other currencies since the central bank cut its key overnight lending rate last month to 12.4 percent from 12.8 percent. The cut was the third this year, for a total reduction of 1.4 percentage points.

Taiwan Moves to Reassure Market

Stock Prices Will Be Allowed to Vary Up to 5% a Day

TAIPEI—A government decision to allow wider stock-price fluctuations starting Monday will have a positive impact on the Taiwan stock market, analysts said Friday.

The Securities and Exchange Commission said Thursday that the government would allow share prices to fluctuate 5 percent a day, instead of the current 3 percent.

"The move has a positive impact," said Daniel Chiang, vice president of International Investment Trust Corp., adding that it would allow the market to function properly.

Widening the limit will increase investor awareness of the risks involved in trading, Mr. Chiang said.

A senior SEC official said Thursday that the change was intended to allow more liquidity in the market, which he said had stabilized after plunging over a three-week period from Sept. 29 to Oct. 21.

Brokers forecast that the market index would rise to between 7,000 and 7,200 in the short term. Active buying pushed the index to 6,760.48 on Friday, up 155.76 points, compared with Thursday's close of 6,604.72.

Jennifer Hsu, manager at Yuan Ts Securities Co., said that if the 7,000 barrier were broken, "then it will be easier for the bourse to pick up more momentum."

Michael Chen, vice president of Fidelity Securities Investment Consulting Corp., said that expected cuts on oil prices and power rates to ill investor confidence.

More support will come from a surplus of funds, low bank interest rates, moderate economic growth and limited investment outlets.

"The stock market has so far proved to many people in Taiwan that it is one of the best places for investment, despite its high risk," Mr. Chen said.

Other analysts expect market players to push the index higher in the short term to cash in on tax exemptions. Beginning in January, the government plans to tax profits on stock transactions.

"Big players have no problems manipulating the market because

the 5 percent stock-price range is not large enough to scare them," said William Huang, executive vice president of King International Securities Corp.

The SEC lowered the share price limit to 3 percent from 5 percent in October 1987 to limit losses after the global stock market crash that month.

Brokers estimate that the total value of stocks listed on the exchange has fallen about 600 billion Taiwan dollars (\$214 billion) this year, with the index declining 36.12 percent to 5,615.33 on Oct. 21, from a record 8,789.78 on Sept. 24.

The government later organized a rescue by asking state banks and major market players to buy stocks to ease the anger of protesting investors.

Brokers forecast that the number of investors would increase because they are unwilling to deposit their money in banks, which offer low annual interest rates of between 4 percent and 5.5 percent.

DEBT: U.S. Companies on a Binge

(Continued from first finance page)

percent of Burlington Industries Inc., a textile company that was taken private by Morgan Stanley & Co. And Chase Manhattan took about a 10 percent stake in Cain Chemical, which was taken private and then sold to Occidental Petroleum Corp.

Even if the increased borrowing forces banks and corporate entities closer together, the factor that will ultimately decide whether these higher debt levels help or hurt U.S. competitiveness is how this debt is used.

Critics of leveraged buyouts and recapitalizations pointed out that in Japan and Germany, companies use their higher levels of debt to invest in new plant and equipment.

The debt being created in the United States, they maintain, is largely used to retire equity, by buying out public shareholders.

In a leveraged buyout, for example, a group of managers and investors takes a company private by buying out public shareholders with borrowed money.

In the course of a buyout, a company's debt can soar from about 30 percent of total capital structure, to as much as 90 percent, although it is quickly reduced through asset sales and other measures.

No one can predict at this point whether shareholders who receive windfalls from their buyout investments will use that money to buy fancy cars and trips to Hawaii or will reinvest it in the stock market, which might enable companies to invest in plant and equipment.

Potential Is High for a Confrontation Between Bush and Fed

By John M. Berry

WASHINGTON—All the ingredients are present for a clash next year between George Bush and the Federal Reserve Board, which is intent on slowing U.S. economic growth to hold down inflation.

Such a conflict is already apparent in the Reagan administration's latest economic forecast and the Fed's goals for 1989. How Mr. Bush resolves the conflict after his inauguration as president next year will demonstrate how much inflation risk he is prepared to take as he tries to reduce the budget deficit.

The administration has predicted a 3.3 percent increase in the gross national product, adjusted for inflation, between the fourth quarter of this year and the fourth quarter of 1989. Central bank policy makers, on the other hand, believe real growth in GNP must be held to between 2 and 2.5 percent to head off the risk of an acceleration of inflation.

A clash is not inevitable. Virtually the only discussion of inflation during the Bush campaign took the form of reminding voters how

much it had come down during Ronald Reagan's two terms.

But if Mr. Bush were to incorporate the Fed's growth target in his official forecast early next year, it would greatly complicate the task of getting the fiscal 1990 budget deficit down to \$100 billion, even on paper. The \$100 billion figure is the limit set by the Gramm-Rudman-Hollings budget-deficit reduction law. Reagan administration officials believe about \$30 billion worth of spending cuts are needed to reach \$100 billion in 1990 even if the economy expands at the factor 3.3 percent next year and the year after.

Mr. Bush has proposed a so-called flexible freeze to eliminate the federal budget deficit by fiscal 1993, but Fed officials are skeptical about a key assumption in that proposal, that interest rates will fall by 2 percentage points once the program is announced.

When the flexible freeze was first laid out last summer, one senior Fed official said of its interest-rate assumption: "I hope they aren't counting on us to provide that."

The Harvard University economist Martin S. Feldstein, a former chairman of the Council of Economic Advisers under Mr. Reagan and an adviser to Mr. Bush, said Wednesday that one of the new president's major tasks next year will be to "run interference" for the Fed so that it can do "unpleasant" things, if necessary, to keep the economy on track.

Mr. Feldstein, who emphasized that he was not speaking for Mr. Bush, expressed confidence that Alan Greenspan, chairman of the Federal Reserve Board, would take steps to keep inflation from getting out of hand.

"The Fed may have to tighten further from where they are today" to do that, he said.

Speaking at the same conference in Washington, the former Fed chairman, Paul A. Volcker, delivered the same sort of message.

The U.S. economy is running at full employment, Mr. Volcker declared, and it cannot grow now by more than about 2.5 percent a year without setting off new inflation.

Mr. Volcker also had praise for Mr. Greenspan and his colleagues at the Fed, but said that without early action to reduce federal budget deficits it "would be asking too

much" to expect monetary policy to keep the economy on an even keel indefinitely.

The former Fed chairman also expressed skepticism that enough spending cuts could be found to reduce the deficit to an acceptable level. But Mr. Bush has pledged not to raise taxes.

During most of the six years since the deep recession of 1981-82, the Fed has not been acutely worried that rapid economic growth would generate rampant inflation. Unemployed workers and machines provided a sort of cushion, so that the growth primarily cut unemployment, rather than adding to inflation pressure. However, both in 1984 and last year, the Fed felt the need to raise interest rates to respond to rising inflation expectations.

This year, some analysts had expected Mr. Greenspan, who has had a long association with the Republican Party, and other Reagan appointees on the Fed board to hold down short-term rates to help ensure Mr. Bush's election. Instead, Mr. Greenspan and other Fed officials raised rates in a series of small steps between March and September.

Friday's OTC Prices. NASDAQ prices on 4 p.m. New York time. This is compiled by the AP, consists of the most traded securities in terms of dollar volume. It is updated twice a year.

Table of OTC prices for various companies including AMT, AMT, AMT, etc.

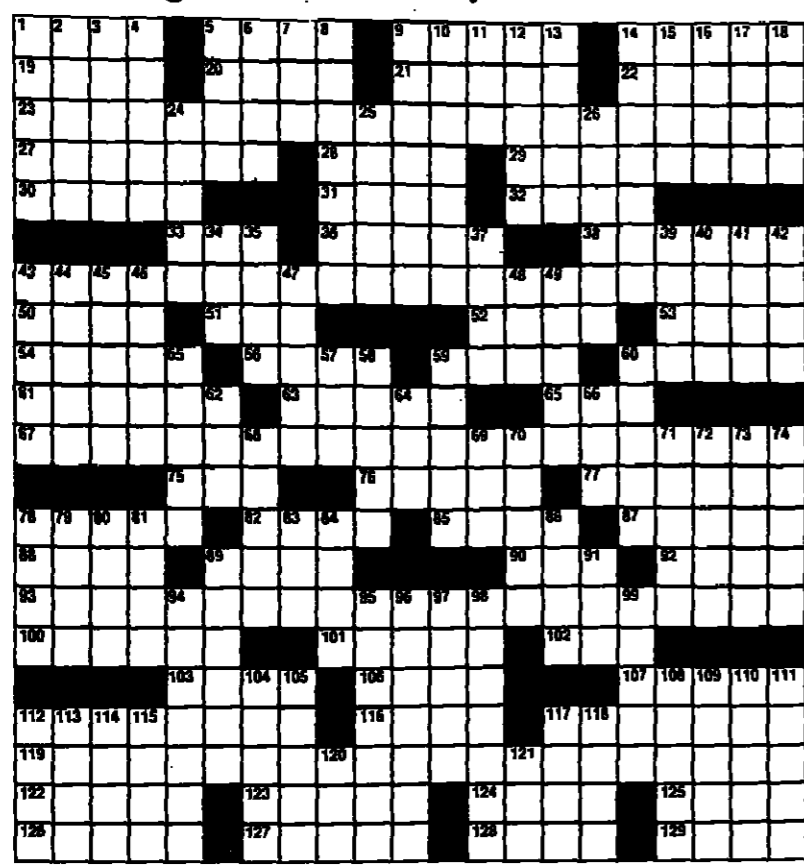
Table of OTC prices for various companies including AMT, AMT, AMT, etc.

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Sales figures are unaudited. Yearly highs and lows reflect trading data. Where a split or stock dividend amounting to 25 percent or more has been paid, the new high-low range is shown for the new stock only. Unless otherwise noted, the listed declaration is the annual rate of dividend plus stock dividend (if any). Dividend declared or paid in preceding 12 months, if declared in Canadian funds, is called a non-residence tax. Dividend declared or paid in preceding 12 months, if declared in U.S. funds, is called a dividend. Dividend declared or paid in preceding 12 months, if declared in U.S. funds, is called a dividend. Dividend declared or paid in preceding 12 months, if declared in U.S. funds, is called a dividend.

Magic in the Middle By Robert H. Wolfe



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- ACROSS
1 With, to René
9 Gains
14 Brawl
19 —avis
20 Gershwin's "Purple" Rhythm"
21 Arabian deser
23 Actress visits doctor about piercing weapon
27 Dead Sea scroll guardians
28 Prince's "Purple"
29 Musical three-minute intervals
30 This Mir, went to town
31 Monza want
32 River near Eboli
33 Watchdog for 89 Across
36 Actor Jeremy
38 Ibsen products
43 Ex-senator with former pitcher on time
50 Highway for Hadrian
51 Steve Martin's "terk"
52 Dice throw

- DOWN
40 Darn—
41 Opposititor
42 Prime, in Ayr
43 Ultimate
44 Worms
45 Uyanov
46 Multiply
47 Stallone-type role
48 Urja
49 Protagonist
49 Vestige
55 Blush gray
57 Can. province
58 Breaks
59 Mythical sorceress
60 A colonel of cartoons
62 Andress film
64 Mycherley's "Wood"
66 Alias
66 City near N.Y.'s Thruway
69 Laced boot
70 Matriculate
71 John Brown's bane
72 — Arenas, Chile
73 Daisylike flower
74 Creepy
75 Bow calls
79 Ornamental case
80 Mezzanine part
81 —patrice
83 "What's Up, ?"
84 Wawakeesahs
86 Jewish month
89 Click beetle
91 Across Sandra
94 Some corruptive people
95 Needle-shaped candidate
97 Ser
98 Item thrown in some games
104 Like failed goals
105 "Positive Thinking" exponent
108 Spiritless
109 Hindu garment
110 TV's Georgia
111 Engraved pillar
112 Recipe arms.
113 Three-sided blade
114 Beatles' lovely meter maid
115 Solway Firth tributary
117 He's a hie man
118 Scarebare
120 Back feature
121 Unclose, to Shakespeare

World Stock Markets

Table with columns for various stock markets including Amsterdam, Hong Kong, London, and Tokyo. Includes sub-sections for Asia, Europe, and Middle East.

Table with columns for Toronto, Zurich, and other international stock markets. Includes sub-sections for Canada and Europe.

BOOKS

EUROPEANS
By Jane Kramer. 561 pages. \$22.95. Farrar, Straus & Giroux, 19 Union Square West, New York, N.Y. 10003.
Reviewed by Jim Hoagland

by these societies in which "being abnormal is normal." She uses this phrase in connection with the diplomatic and political fictions made necessary by the division of the German nation after World War II, but it serves to describe her reaction as well to what she sees as the corruption and amorality that pervades the interlocking political and business establishment of West Germany.

WEATHER

Table with columns for Europe, Asia, North America, Africa, Latin America, and Oceania. Includes a section for DENNIS THE MENACE.

PEANUTS
ZAMBONI DRIVERS ARE VERY SENSITIVE
THEY GET QUITE UPSET WHEN THEY FALL THROUGH THE ICE!
WIZARD OF ID
DID HE LEAVE YOU ANYTHING?
NOT A CENT
HOW COULD YOU AFFORD THE FUNERAL?
I GOT A HOME-IMPROVEMENT LOAN

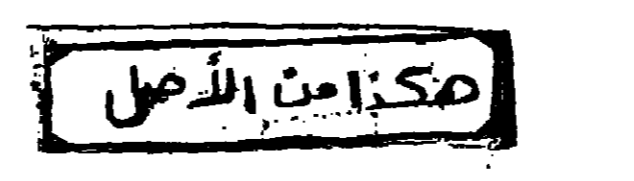
BEETLE BAILEY
I MADE MY WILL VERY SIMPLE... I LEAVE EVERYTHING TO MY WIFE MARTHA... MINE IS SIMPLE, TOO... I WANT MY HUSBAND AMOS TO GET EVERYTHING THAT'S COMING TO HIM!
DOONESBURY
IN MY CAPACITY AS 103 PRESIDENT-ELECT, I'D LIKE TO SAY A FEW WORDS ABOUT YOU...
GARBFIELD
I LOVE VOLLEYPOG

THE DAILY SOURCE FOR INTERNATIONAL INVESTORS.
SOURN MELIKIAN
IN THE IHT EVERY SATURDAY WITH AUTHORITY WRITING ON THE WORLD OF ART AND ART AUCTIONS

Solution to Last Week's Puzzle. A grid with letters and numbers.

Garfield comic strip panels.

Dennis the Menace comic strip panels.



SPORTS

Browns Will Try Once Again To Knock Off Elway's Broncos

By Gerald Eskenazi

NEW YORK — When the Cleveland Browns visit the Broncos in Denver's Mile High Stadium on Sunday, two memories will predominate: the Drive and the Franchise.

The memories recall two of the great games in National Football League history, both American Conference championships.

Two seasons ago, the Browns won after a 98-yard march led by John Elway had tied the score. Last season, the Browns came back from a 21-3 deficit, only to lose when the ball was stripped from Earnest Byner as he headed for the goal line and the tying touchdown.

The Browns, the AFC champions, are 5-5, yet tied for the lead in the West. The Browns, at 6-4 in the Central Division, are a leading candidate for a wild-card spot.

The Browns have never beaten John Elway. Then again, they haven't beaten any Denver quarterback since 1974. Since then, the clubs have played eight times — including the two title games — and the Browns have captured every game.

These have been flawed seasons for both quarterbacks. Elway, who was injured earlier this season, hurt his thigh lifting weights on Monday, but has taken a lot of practice snaps this week. He has thrown more interceptions (13) than touchdowns (9).

The Browns are 2-1 since Bernie Kosar returned from his elbow injury. With another quarterback starting, the Browns are 3-3.

Even with his winning record, Kosar has struggled. He had three passes intercepted in his return against Phoenix, and then saw an interception returned for a touchdown in his second game back.

The Browns' top rusher, Kevin Mack, was injured Monday and is out for the game. Webster Slaughter, the Browns' top receiver, is out for the year.

American Conference Houston (7-3) at Seattle (5-5): Dave Krieg, recovered from a shoulder operation, is ready to return as the Seahawks' quarterback, replacing the rocky Kelly Stouffer. Warren Moon makes his first Kingdome appearance after starting for the University of Washington. The Oilers are the most penalized team in the league, the Seahawks one of the least.

Cincinnati (8-2) at Kansas City (1-8-1): Boomer Esiason is soaring as the conference's top passer. He is averaging nearly 10 yards per passing attempt and has thrown for 20 touchdowns. The Bengals have

NFL PREVIEW

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of the Pennsylvania teams in the 1980s. The Eagles' Reggie White leads the league in sacks, while Randall Cunningham could decide to do anything he wants against the NFL's most vulnerable defense.

Indianapolis (5-5) at Green Bay (2-8): The Colts have not permitted a sack during their last four games, all victories. They are 5-2 with Chris Chandler as the starting quarterback. The good Colt special teams include Dean Basso, who has a record-equating five field goals in 50-yard range.

San Diego (2-8) at Atlanta (3-7): Mark Van Meter will take over as the Chargers' quarterback for Mark Malone, attempting to halt six-game losing streak. John Settle, the Falcons' second-year running back, is an impressive all-purpose player with 1,065 yards from scrimmage and 1-0 with Vince Tobin as interim coach. Mike Ditka will watch from the Robert F. Kennedy Stadium press box, just two weeks after suffering a heart attack.

New Orleans (7-3) at Los Angeles Rams (7-3): The West Division co-leaders met two games ago, when the Rams won by 2 points. The Saints are the NFL's top team in converting third downs, connecting 49.6 percent of the time. The Rams' Jim Everett is the league's top-rated passer, with 21 touchdowns and only 10 interceptions.

Minnesota (6-4) at Dallas (2-8): The Cowboys' new starting quarterback is Kevin Sweeney, who threw three second-half touchdowns against the Giants. He faces a defense that leads the league with 22 interceptions. Minnesota is No. 1 in the conference in passing and pass defense.

Tampa Bay (2-8) at Detroit (2-8): Give the ball up 35 times, as Tampa Bay has, and you lose four times as often as you win. Vinny Testaverde's high yardage totals are offset by his 24 interceptions. The Lions rank last in generating rushing and passing yardage.

Giants (7-3) at Phoenix (6-4): The Giants have sacked Neil Lomax 57 times in 13 meetings since 1981. They have dumped him 25 times the last two seasons. This year, the Cards have cut down their sacks but they haven't faced Lawrence Taylor.

Interconference Los Angeles Raiders (5-5) at San Francisco (6-4): Joe Montana, recovered from a bad back, will probably get his starting job back from Steve Young. The Raiders' Allen and Bo Jackson, combined with Steve Benetien, is improving weekly.

Philadelphia (5-5) at Pittsburgh (2-8): This will be the first meeting



Master Class Ted Williams, the former Boston Red Sox great, talks about batting style with his son, John Henry, and Reggie Jackson, right, himself recently retired. Williams, 70, who slugged his way into the Hall of Fame from 1939 to 1960 with the Red Sox, was honored Thursday night in Boston at a benefit for the Jimmy Fund, part of the Dana Farber Cancer Institute, which is Williams's favorite charity.

Hershiser of Dodgers Wins Cy Young Award

By Murray Chass

NEW YORK — He finished the regular season with 59 successive scoreless innings, shut out the New York Mets in the seventh game of the playoffs, pitched a shutout and also won the final game against Oakland in the World Series.

And Thursday, Orel Hershiser became the unanimous winner of the National League Cy Young award.

Considering that he produced the most spectacular finish with which any pitcher ever concluded a year, the award was almost anticlimactic.

Nothing that Hershiser accomplished after Oct. 2 — the final day of the regular season — weighed in the Cy Young voting, but those accomplishments made him one of the few winners of the award who pitched as spectacularly after the season as during it.

Hershiser, who won 23 games and lost 8 for the Los Angeles Dodgers, was selected first on each of the 24 ballots cast by members of the Baseball Writers Association of America, two from each National League city.

Danny Jackson of Cincinnati was second in the voting, gaining 54 points to Hershiser's 120. Jackson also compiled a 23-8 record after the Reds acquired him from Kansas City last winter. David Cone of the Mets was third with 42 points. He achieved a 20-3 record after an injury to Rick Aguilera put him into the Mets' starting rotation a month into the season.

Hershiser was the 12th unanimous winner, ninth in the National League, in the award's 33-year history. This was the first time that only three pitchers received all the

votes since the 5-3-1 point system went into effect in 1970.

Hershiser's victory never was in doubt once he reeled off the longest scoreless inning streak ever amassed by a pitcher, eclipsing by one inning the record set by Don Drysdale, also a Dodgers' pitcher, in 1968.

Hershiser, a 30-year-old right-hander, did not let up in the postseason, which he finished with a 3-0 record, a 1.05 earned run average and two most valuable player awards.

On Wednesday, Frank Viola of the Minnesota Twins, who became a World Series hero in 1987, won the Cy Young award in the American League for 1988.

Viola received 27 of the 28 first-place votes and one second-place vote. The only other American League pitcher to receive a first-place vote was Dennis Eckersley of Oakland.

Viola, 28, imposing credentials in a season of strong pitching, one year after he had won one game in the playoff for the pennant plus two games over the St. Louis Cardinals in the World Series.

He won 24 games, the most in the major leagues, against only seven losses. He was third in the American League with an earned-run average of 2.64 and third with 193 strikeouts.

He also fashioned a nine-game winning streak, brought his career totals to 104 victories against 81 defeats and became the leading pitcher in victories over the past five years, surpassing Jack Morris of the Detroit Tigers and Dwight Gooden of the New York Mets.

John Becomes Free Agent Tommy John has become a free



Orel Hershiser: Unanimous choice for National League award.

agent after having led the New York Yankees in starts the past two seasons, The New York Times reported.

The Yankees did not release John, but instead asked him to accept an outright assignment to their Class AAA minor league team in Columbus. They needed his consent because he has been in the major leagues for five years or more. In fact, he has been in the majors for 25 years.

Under the rules, instead of accepting the assignment, John opted for free agency, meaning he can now sign with any club. Near the end of the season, the Yankees gave John reason to think he would be back with them next season. However, in a meeting with reporters last week, Dallas Green, the Yankees' new manager, said that at 45, John was too old to pitch for him.

John, who has 286 career victories, said he would pursue a job with another club.

The Daily Source for International Investors

MENACE

S. Africa Rugby Board Backs Off ANC Contacts

By William Claiborne

WASHINGTON Post Service JOHANNESBURG — Under pressure by the government of President Pieter W. Botha for having talked with leaders of the outlawed African National Congress about racially integrating rugby, South Africa's rugby board said Friday that it would avoid any contact with the ANC or other political organizations committed to violence.

The decision by the board's executive committee followed a growing controversy over meetings in Harare last month, in which the rugby chief, Danie Craven, sought to break a worldwide sports boycott against South Africa through negotiations with the ANC.

"The government's position on the issue appeared to rule out the possibility of any dialogue between the ANC and members of the ANC," the main guerrilla force battling white-minority rule in South Africa.

"The meetings in Harare between Craven and the chairman of the Transvaal Province Rugby Board, Louis Luyt, and ANC officials offered the first signs by the ANC that it would be willing to exert its influence on black-ruled African states and the international anti-apartheid movement to end South Africa's worldwide isolation in sports."

The talks were also significant in

that the rugby administration is widely regarded as a bastion of the Afrikaner establishment that dominates politics in South Africa.

However, the government condemned the talks as absolutely unacceptable and criticized the sports officials for talking with leaders of a "terrorist organization that is involved on a daily basis in terrorist attacks in innocent people."

Craven, who had threatened to fight the government on the issue despite threats by Pretoria to cut government subsidies, on Friday read a statement during a board meeting that, "Any further contact with political organizations or organizations committed to violence of whatever nature must be avoided."

However, the board pledged to "vigorously pursue" the merger of all rugby bodies in South Africa into a single, nonracial controlling body of the sport. Currently there are two major rugby unions — one predominantly white, the other black.

Craven also said that while rugby officials would not talk directly with the ANC as an organization, "the ANC is everywhere in Africa. Their influence stretches far and wide."

"A lot of people in South Africa support them; that is why I said the road through Africa is through the ANC."

SIDELINES

Strange Leads by 3 in U.S. Golf

PEBBLE BEACH, California (NYT) — Curtis Strange shot an 8-under-par 64 Thursday to take a three-stroke lead after the first round of the Nabisco Championship, the final spot on the PGA tour this season.

Strange, the U.S. Open champion this year, shot an opening round that had neither a bogey nor a score above 4 as Strange came two shots short of the course record of 62. He produced 6 birdies and an eagle 2 when his 8-iron shot took one bounce into the cup on the 11th hole.

Ken Green, winner of the Canadian Open in September, birdied the final hole to finish at 67. Joey Sindelar was another shot back at 68.

FIFA to Crack Down on Fake Injuries

PRAGUE (Reuters) — The International Football Federation, FIFA, has announced plans to crack down on players who fake injuries.

Harry Craven, FIFA vice president, said officials at the federation's symposium in Prague proposed penalizing players who pretended to be injured and giving referees basic medical training.

France Defeats Argentina in Rugby

LILLE, France (AFP) — The French rugby team battered Argentina on Friday, 28-18, scoring four tries to none and adding three conversions and two penalty goals. Argentina's points came from a drop and five penalty goals. The French thus swept a two-test series, having won last Saturday in Nantes, 29-9.

SCOREBOARD

BASKETBALL

NBA Standings

Table with columns for Eastern Conference and Atlantic Division, listing teams like New Jersey, Detroit, Philadelphia, etc., with wins, losses, and percentages.

HOCKEY

National Hockey League Standings

Table with columns for Wales Conference and Patrick Division, listing teams like NY Rangers, Pittsburgh, Philadelphia, etc., with wins, losses, and percentages.

RUGBY

RUGBY'S BIG EIGHT

Table listing rugby teams like New Zealand, France, Wales, etc., with wins, losses, and percentages.

TRANSITION

BASEBALL N.Y. YANKEES—Announced that Tommy John, pitcher, related a minor-league assignment and became a free agent.

BASEBALL

THURSDAY'S RESULTS

Table listing baseball games from Nov 11-12, including Yankees vs Orioles, Cardinals vs Braves, etc.

FOOTBALL

CONSOLE FOOTBALL LEAGUE TORONTO—Archived game table, wide receiver, from practice roster.

VANTAGE POINT/Dave Anderson

Brown Skips Town, Leaving the 'Kids'

New York Times Service

NEW YORK — Minutes earlier, the University of Kansas basketball team had lost to Duke, 71-67, in the semifinals of the 1986 NCAA championship. But in a gloomy gray hallway of the Reunion Arena in Dallas, the Jayhawks' coach, Larry Brown, was already looking ahead to the next season.

"We're going to be a quality team next year," he said. "We've got some great kids coming in."

Among those "great kids" would be Vincent Askew, a Memphis State player who that summer attended classes at Kansas with the idea of transferring there.

Askew later changed his mind. But while Askew was pondering his future, Brown and those who rode shotgun for him on the Kansas steppes spent at least \$1,244 on Askew in violation of National Collegiate Athletic Association recruiting rules.

As part of its three-year probation, Kansas is now barred from defending the national championship. It won last season, the first college ever to be so humiliated.

Like so many other times when the police knocked on his door, Larry Brown had skipped town.

In a way, he even skipped the country. As the new coach of the San Antonio Spurs, he can't be extradited from the National Basketball Association to be punished for the Kansas crimes that he tried to minimize last week.

"The saddest thing about it is that they spent two years on this thing," Brown said, alluding to the NCAA detectives. "And when I left Kansas to come to San Antonio I was led to believe that was no big deal. I now realize that every time you are investigated by the NCAA it's a big deal."

Brown acknowledged that he had handed \$364 to Askew for a ticket to visit his ailing grandmother, who died not long after that.

"I'd give it to anybody if they told me his grandmother was passing away," Brown said.

But as it develops now, Askew also received \$350 to pay an aunt's phone bill and \$183 for another plane ticket. So the saddest thing about it is that if Larry Brown didn't know what was going on, he should have.

The delivery man for those payments, according to the Nov. 14 issue of Sports Illustrated, was 26-year-old Mike Marshall, a former Kansas player who sometimes lived at Brown's home.

Brown is now trying to disassociate himself from Marshall, saying: "Mike Marshall has been living off me. He adopted me years ago." But among Kansas basketball people, Marshall was known as the coach's "black son."

After two seasons at a Wyoming junior college, Marshall transferred to Kansas, where he was a guard on two of Brown's teams. He then transferred to McNeese State before that Lake Charles, Louisiana, college was put on probation for improper payments to players.

One of those McNeese players was Marshall, who reportedly accepted

NCAA Studies Re-Opening Kansas Inquiry

New York Times Service

NEW YORK — David Berst, assistant executive director of enforcement for the National Collegiate Athletic Association, says the NCAA might reopen its investigation into the Kansas basketball program.

Berst's comment came in response to an article in the Nov. 14 issue of Sports Illustrated magazine containing allegations from a former Kansas player that he made loans to Danny Manning, the former Kansas all-American.

Mike Marshall, who played for Kansas in the 1985-86 season, said he had lent Manning money on several occasions.

Manning, through his agent, Ron Grinker, acknowledged receiving several small loans from Marshall.

"We're trying to contact the sources of information to the magazine and find out more detail about the loans," Berst said Thursday. "I'm not characterizing this as an investigation. I'm trying to accumulate more facts before we decide whether it's something we should investigate further."

Knowledgeable depositing \$15,515.44, most of it from McNeese boosters, in only six months.

While in Lawrence in recent years, Marshall also lent Danny Manning small sums that the all-American forward repaid.

The Marshall-Askew connection was enough to make the NCAA put Kansas on probation and also to consider the "death penalty," the shutdown of its basketball program for a year.

The Marshall-Askew connection was another reminder that, in skipping town, Brown again left his garbage strewn around the neighborhood streets.

He did that in 1984 when the New Jersey Nets' owner, Joe Taub, fired him for secretly negotiating for the Kansas job while his NBA team was driving for the playoffs.

He did that in 1981 when, nine months after he joined the Nets, UCLA was put on probation. Of the nine UCLA recruiting violations, four occurred during Brown's two seasons there after his disengagement with the Denver Nuggets.

As a college coach, Brown soiled basketball shrines: UCLA, where John Wooden had a record 10 national championship teams in 12 years, and Kansas, where the legendary Phog Allen had been a disciple of Dr. James Naismith, the game's inventor nearly a century ago.

But now Brown has abandoned his Kansas shrine and the college "kids."

INTERNATIONAL CLASSIFIED

(Continued from Back Page)

Advertisement for international classifieds including sections for Health/Medical Services, Hotels, Arts, Legal Services, and Education.

Advertisement for escorts and guides, listing various agencies and services across different cities like London, Paris, and New York.

PEOPLE

Bakkers Ordered to Pay

Jim and Tammy Bakker, along with a former top aide, must repay \$7.7 million to PTL for repaying undeserved profits and mismanaging the TV ministry, Justice Dept. says.

Leslie Mamez has returned to his musical roots to direct the Pittsburgh Symphony Orchestra, which he first joined in his teens as a full-time violinist and apprentice conductor.

The security firm run by former Nixon aide and convicted Watergate burglar G. Gordon Liddy has filed a Chapter 11 bankruptcy petition seeking protection from creditors.

The violinist Isaac Stern will be the honorary chairman of a committee to hand out awards named after opera great Marlon Anderson and aimed at furthering the careers of young American singers.

Beauty turned diplomat on Thursday as Miss Universe 1988 came to the United Nations as a fully accredited representative of Thailand to plead on behalf of disadvantaged children everywhere.

A lament by Connecticut's poet laureate about his village grocery store may have lost the store, "November Ode," a poem by James Merrill, winner of the Pulitzer Prize, has won him some admirers.

Beauty turned diplomat on Thursday as Miss Universe 1988 came to the United Nations as a fully accredited representative of Thailand to plead on behalf of disadvantaged children everywhere.

Dennis Quaid, an Actor 'on the Cusp of Stardom'

By Michael Norman

LOS ANGELES—Dennis Quaid is late. His voice coach is waiting, but the day, as usual, comes hard to him.



Quaid rehearsing for his role as the rock singer Jerry Lee Lewis in "Great Balls of Fire."

Quaid is holed up in the corner bedroom of his home in the Hollywood Hills. Like many of his neighbors, it is Spanish Revival outside, inside, this particular house is a mess.

These days, it is a busy house. The actor, known in Hollywood for his fastidious research, is preparing for his next role, that of the hard-drinking, hard-playing virtuoso rock legend Jerry Lee Lewis, in the film "Great Balls of Fire."

Quaid's last project, "Everybody's All-American," has just premiered. The film, which also stars Jessica Lange and Timothy Hutton, is based on Frank Deford's 1981 novel about the rise and decline of a football legend, Gavin Grey, known as the Grey Ghost.

As Gavin Grey, Quaid brings little of the overaged adolescent to the screen. There is nothing gift or offhand in his performance. The film's director, Taylor Hackford, says Quaid acted with "industry skill" and pronounced him "on the cusp of stardom."

Dennis Quaid is a native of Houston, 6 feet, 150 pounds, lithe. He has dark brown hair with a few highlights. The eyes are sometimes gray, sometimes blue, depending on the light. The voice is a rasp, too many Maniboros across too many years.

He arrived in Hollywood in the mid-1970s. He has played in such forgettable films as "Jaws 3-D" and "Enemy Mine," but gained his first notoriety in "Breaking Away," a 1979 film in which he appeared as an embittered working-class tough. In 1983 came "The Right Stuff," followed by "D.O.A.," "Suspect" and "Imponderabilia." It was his performance last year in "The Big Easy" that put Dennis Quaid on the map.

The film, with its steamy, New Orleans milieu, focused on the love affair between a corrupt, all-but-redemptible police detective and an assistant district attorney, played by Ellen Barkin.

"It was his first major role," says the film's director, Jim McBride. "He never before had the role that made the best use of his qualities, this kind of cocky, appealing wise-guy way. He turned out to be the salvation of the movie. In the screenplay, the character was a really unpleasant, oily guy. Dennis found a way to make him appealing and likable. He finally got the part of the romantic leading man."

made of rails shaped like fence posts, and the wall trim is knobby pine. Across a chair in an anteroom rests a black leather saddle.

In this other world, which extends well beyond the bedroom, Dennis Quaid has another identity, Buck Gibson, a long-standing joke between him and those closest to him. As Quaid envisions him—and occasionally acts him—Buck Gibson is an old-time, homey entertainer with country and western overtones. He is host of a network television show, "Buck Gibson's House Party," which features a choral group called the "Gibsonaires" and a dance troupe, the "Buckettes."

Quaid and his personal assistant, Greg Holden, an affable ex-coop from Louisiana, have a good time in Buck Gibson's world. "Mormon," Buck, "Mormon," "Bum Ragged." It is their retreat, a place to withdraw from the public eye.

Heretofore, this penchant for play has served Dennis Quaid well. Directors could see it was ingenious and wanted that quality for their films. Peter Yates, who directed the actor in "Breaking Away" and "Suspect," says there is a "certain raveness" to him, "an enormous enthusiasm." In "Everybody's All-American," Taylor Hackford wanted him to play "the quintessential hero, a guy who has been blessed with the ability to perform brilliant acts, not an ultra-complicated, calculating guy."

In fact, it was a subtle and somewhat complex role, unlike anything Quaid had ever played. Gavin Grey is a football star, the hero of bowl games who marries the campus Magnolia Queen, played by Jessica Lange, then turns professional. The movie tracks his life across 25 years to his retirement, the story of an athlete as his gifts diminish and he attempts to hang on to his past.

In one climactic moment, Grey realizes that his wife and best friend have been secret lovers. The sting of the betrayal is palpable; Quaid, his face bloated with age and disipation (he added 40 pounds to play the part) shows no evidence of the impressive play of so many of his other films.

"I realized this was the first time I had such a full part," Quaid says. "It was spread out over an entire movie. There was no need to try to do everything in one scene. That comes from the days when I was a supporting actor; you go in there like a football. I used to be a little creature. Most actors when you start out, you make sure you get in your ticks early."

Dennis Quaid is the younger brother, by three-and-a-half years, of Randy Quaid, a character actor who achieved wide critical acclaim in "The Last Detail," among other films. Growing up, the brothers shared the same room in a modest house in a Houston suburb. Dennis was the extrovert; Randy, more self-contained. They lived a "Beaver Cleaver" childhood: BB guns, baseball games, nifty cars and shopping centers. Their parents, who separated when Dennis was 14, gave them what turned out to be the essentials for an actor's life: pluck, the habit of hard work and the inspiration that can come from a missed opportunity.

The marriage broke up; he was, he says, too young to make it work. And he was taking dreadful roles in dreadful films just to make money. He had tried to build a dream house in rural Montana and ended up starting at a wall of debt. At one point, he abandoned Hollywood and went to New York, where he co-starred with brother Randy in Sam Shepard's play, "True West," and his confidence returned.

On this particular morning, seated at the grand piano in the living room, which has been turned into an impromptu recording studio, Quaid is Jerry Lee Lewis—or as close as anyone is likely to come. He has been trying to "get into character" since April 15, when shooting ended on "Everybody's All-American." Three to five hours a day, every day, he takes piano and voice lessons. He has practiced so incessantly that Greg Holden cannot stand to be in the house any longer and is ready to abandon Buckland.

The title song has to be perfect. His performance—indeed, the movie itself—will turn on it. "The risk is great with this role," Quaid says. "The man is a rock 'n' roll classic. I'm biting off a real big chunk."

Quaid will mention "the method," but like many actors, he doesn't intellectualize his labor. "I'll sound like Jerry Lee Lewis if I can get inside of him," he says. "For a week I've been putting my voice up to the guitar. Jerry Lee talks and sings from the middle of his face. So, I start with the outside, the imitation, get the gestures down so well I can forget them. Then, the outside leads me to the inside. Then it comes back out."

Following "Great Balls of Fire," Quaid says, he plans to give up acting for a year and play in a rock band. He says he would use a subbass as a treat, a kind of search for a musical self. "The music is not a diversion," he says.

"I'm not giving up being an actor. I want to be both. I just want it all and I want it now. I'm just like everybody else."

The work ethic came from Nita Quaid, their mother. "I taught them not to just talk about something," she says today, "but to accept the challenge and go do it."

But it was likely that their father, the late William R. (Buddy) Quaid, was the one who incited them to act. Buddy, an actor who bore an uncanny resemblance to the 1940s actor Dana Andrews, is remembered as a volatile and gregarious man who loved to sing and perform for his family.

Dennis went to the University of Houston, where, by his own account, he slept through most of the curriculum, save acting. In his junior year, in the company of an older friend, he set out for Hollywood to follow in his brother's footsteps. Once there, he took a pass from his mother's book and put in scores of calls to dozens of casting directors until, at last, he got a part. One performance led to another. With "Breaking Away" came good notices. He had married the actress P.J. Soles. He got more parts. Then life turned sour.

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Michael Norman is the author of "These Good Men," a book about war and comradeship to be published next year. This is excerpted from an article written for The New York Times Magazine.

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